



## Doing Business in Bulgaria - 2006

### A Country Commercial Guide for U.S. Companies

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- [Chapter 1: Doing Business In Bulgaria](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

# Chapter 1: Doing Business In Bulgaria

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

## Market Overview

[Return to top](#)

Bulgaria's commercial climate offers political stability, strong economic growth, a highly qualified work force, strategic location and low costs. While the domestic market is relatively small, Bulgaria is an excellent launching pad for sales into the European Union, Russia, Turkey and the Middle East. Bulgaria joined NATO in 2004 and plans to join the European Union (EU) in 2007. Bulgaria enjoys low inflation, a small budget deficit, declining external debt, a stable foreign exchange, and low personal income and corporate tax rates.

The general attitude in Bulgaria is pro-American and the Bulgarian market is receptive to American goods and services. The current government, elected in 2005, is focused on EU membership, but remains supportive of expanding U.S.-Bulgarian trade relations. Momentum built from an October 2005 visit between President's Purvanov and Bush has set the tone for Bulgaria's foreign investment agency to declare 2006 as the year of the U.S. investor. The largest foreign investment ever in Bulgaria, being made by a U.S. energy company, will begin in 2006, and other U.S. companies plan major investments in real estate, financial services, and film production. U.S. exports to Bulgaria increased by almost 30% from 2004-2005.

## Market Challenges

[Return to top](#)

The EU countries are now Bulgaria's main export destination and a major source of foreign direct investment. The Association Agreement between Bulgaria and the EU enables most goods to move between these two parties at zero, or close to zero, tariff rates. This can be an advantage to U.S. companies with production facilities in Bulgaria intended for export into the EU, but a disadvantage for U.S. exporters with European competitors. When Bulgaria joins the EU, Bulgaria will have to set its tariff rates to non-EU countries to the generally lower EU Common External Tariff, closing the tariff gap in many cases.

While the commercial climate is generally positive, there are factors that inhibit U.S.-Bulgarian trade and investment. Unemployment and low wages limit consumer purchasing power. The judicial system is inefficient and sometimes corrupt, and organized crime influences some sectors of the economy. Government bureaucracy is improving, but still presents frustrating delays and unreasonable burdens for investors and exporters. A predictable and fair regulatory environment, greater transparency in decision-making, and the protection of intellectual property rights (IPR) would also contribute to an improved business climate. There is no bilateral U.S.-Bulgaria treaty to avoid double taxation, although negotiations are scheduled to start in 2006.

## Market Opportunities

[Return to top](#)

Market access for American companies continues to improve. Bulgarians are eager to have greater access to American goods and services, and there are excellent opportunities for those companies that can handle the commercial risks associated with this expanding market. EU membership (investments to comply with EU regulations, develop infrastructure, and increase competitiveness) will create additional opportunities.

Good prospects for exports to Bulgaria include the following sectors (in alphabetical order) with a more detailed analysis of these sectors can be found in Chapter Four of this Guide:

- Automotive Parts and Service Equipment
- Aviation Equipment and Services
- Building Products and Services
- Computer Software, Computers and Peripherals
- Power Equipment and Services
- Medical Equipment
- Pollution Control Equipment
- Telecommunications Equipment and Services
- Tourism Infrastructure Services
- Safety, Security and Defense-related Equipment and Services

Bulgaria is planning a number of major infrastructure projects including bridges, highways, port development, airport modernization, energy generation and distribution, and water and waste treatment facilities. Privatizations continue slowly in the energy, transportation and entertainment sectors, and plans for privatization for the national airline are being discussed.

Financing from the U.S. Export-Import Bank (Exim Bank) and the Overseas Private Investment Corporation (OPIC) is available at competitive rates. The U.S. Trade and Development Agency (USTDA) offers financing for municipal credit ratings along with project feasibility studies. For project financing, Bulgaria is still very dependent on multilateral banks and other non-Bulgarian sources.

## Market Entry Strategy

[Return to top](#)

Finding a good, reputable local representative is key to a market entry strategy. Conducting due diligence before selecting a representative is essential. Enlisting qualified local legal services for contract negotiations is highly recommended. The U.S. Commercial Service located in the U.S. Embassy in Sofia can assist with market research, contact facilitation, and contact evaluation – see [www.buyusa.gov/bulgaria](http://www.buyusa.gov/bulgaria). The American Chamber of Commerce (AmCham) can assist with referrals to service providers – see [www.amcham.bg](http://www.amcham.bg).

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 2: Political and Economic Environment

### ECONOMIC ENVIRONMENT

A Currency Board and responsible fiscal policies have maintained macro-economic stability, but Bulgaria's per capita income seriously lags behind its Western European neighbors. Since taking power in August 2005, the center-left coalition, led by the Bulgarian Socialist Party (BSP), has maintained its predecessor's focus on macroeconomic stability. The government of Prime Minister Sergey Stanishev has succeeded in balancing the budget while introducing a package of measures aimed at sustaining strong economic growth. The 2006 budget contains a package of pro-growth policies, including a cut in the social security taxes of six percent, tax relief for low-income citizens and increases public wages and pensions. The government's chief economic policy priorities now are to maintain fiscal discipline, attract higher inflows of foreign green-field investments and prepare the country to meet EU convergence criteria.

The Bulgarian Government has delivered strong, steady GDP growth in real terms. Bulgaria's economic expansion has accelerated in 2004 to 5.6 percent, but the government's measures to address Bulgaria's looming current account deficit are cooling growth in domestic demand, resulting in an estimated overall GDP growth of about 5.5 percent for 2005. Nonetheless, this pace of growth still makes Bulgaria one of the fastest growing economies in Europe. Official statistics underreport economic activity, with an unofficial market possibly representing an additional 20 to 30 percent of the official GDP. Economic growth, however, particularly in Bulgaria's private sector, has not been rapid enough to drastically reduce unemployment. Registered unemployment hit a ten-year low of 10.4 percent (383,930 unemployed) in November 2005 due to the larger number of people who started work under government sponsored employment programs. Despite the encouragingly low level the unemployment rate continues to vary widely throughout the country.

The IMF approved in August 2004 a new 25-month precautionary Stand-by Arrangement in the amount of about USD 146 million to support the Government's economic program for 2004-06, which is viewed as "a seal of approval" for economic policy in the run-up to EU membership. The current government is resisting certain pressures from the IMF in its attempt to improve the overall standard of living. The IMF's push for more radical fiscal tightening in 2006 underlined by a budgetary surplus of three percent is part of a twofold strategy to steer Bulgaria away from its looming external vulnerabilities: an excessively high current account deficit and increasing gross external debt ratio (62 percent of GDP). High oil prices and strong credit growth have contributed to a sharp increase in Bulgaria's current account deficit during the first ten months of 2005 -- to 2.2 billion euro or 10.5 percent of GDP, as compared to 918 million euro or 4.7 percent of GDP last year. As a result, the deficit for the year as a whole is expected to be about 14 percent or 2.9 billion euro.

Continued fiscal discipline and measures to encourage slower credit growth should limit future current account deficits. The measures the central bank took earlier in 2005 have

been successful in moderating credit growth. The growth rate in non-government sector credit slowed to 32.5 percent in the period between January-November 2005, and is most likely to reach the targeted rate of 30 percent by the end of the year. The additional measures introduced by the central bank in November 2005 will lead to a further drop in credit growth, with a target of 16 to 20 percent for 2006, according to the central bank. However, non-bank financial institutions - called "leasing companies" in Bulgaria - have to some extent offset the central bank's efforts to restrict credit.

Apart from its external vulnerabilities, the Bulgarian Government in 2006 will have to contend with higher inflation rate. Having already risen above the 2005 forecast of 3.5 percent, Bulgaria's inflation rate is expected to jump dramatically to 8.4 percent in the first quarter of 2006 thanks to higher fuel prices and an increase in excise taxes to match EU minimum levels. However, inflation is expected to fall in the second half of 2006 and further decline in 2007 as the price shocks linked to meeting the EU minimum levels of excise taxes will not be repeated.

Other key economic issues that the Government needs to address include structural reforms in subsidized sectors (notably health, education, energy, and railroads), and allocation of larger sums to public investment to meet EU infrastructure standards, such as in transportation, environmental protection, and water treatment.

## POLITICAL ENVIRONMENT

### **Nature of Political Relationship with the United States**

2003 marked the 100th anniversary of diplomatic relations between the United States and Bulgaria and a high point in that relationship. U.S.-Bulgarian bilateral relations are excellent and continue to improve steadily. The U.S. Government strongly supports political stability, the growth of democracy, and the development of a market economy and economic prosperity in Bulgaria. The U.S. Senate ratified Bulgaria's accession to NATO in May 2003, and Bulgaria became a member of the Alliance in April 2004. U.S. forces have participated in several exercises in Bulgaria. The Department of Defense has a number of military liaison programs with the Bulgarian Ministry of Defense to help modernize Bulgarian armed forces, purchase appropriate equipment, and prepare for interoperability with NATO forces. Bulgaria is a leader in the multilateral peacekeeping force for Southeastern Europe (SEEBRIG) and is contributing troops to both Iraq and Afghanistan.

### **Major Political Issues Affecting the Business Climate**

Organized crime and corruption are a concern of both the government and the ordinary citizen, and are significant domestic issues. Many organized crime killings have gone unsolved in the past years and judicial corruption is reputedly widespread. Government procurement and privatization procedures remain susceptible to corruption. Violent crime against persons is very low although property crime - car theft, pick pocketing and burglary - remains widespread.

All major political parties support membership in Western institutions, including NATO and the European Union (EU). Bulgaria signed the EU Accession Treaty on April 25, 2005 allowing Bulgaria to join in 2007. The coalition government of Prime Minister

Sergey Stanishev has made EU accession by January 2007 its number one priority. Although the pace of EU reforms suffered during the summer during protracted negotiations over forming a new government, the coalition (which has a two-thirds majority in parliament) had been working overtime to pass as much EU-related legislation as possible

### **Political System, Schedule for Elections, and Orientation of Major Political Parties**

Following the removal of long time communist leader Todor Zhivkov in 1989, Bulgaria has been a parliamentary republic ruled by a democratically elected government. A new constitution was enacted in 1991, which lays out the basic rights and obligations of citizens and is the basis for Bulgaria's legal system. The constitution guarantees freedom of association including the right to form political parties.

The constitution provides for the separation of powers amongst the executive, judicial and legislative branches and a system of checks and balances. The President is the head of state. The presidency is empowered to conclude international treaties and to schedule parliamentary (i.e., National Assembly) elections. The President is also the commander-in-chief of the armed forces. The National Assembly is a unicameral legislative body that consists of 240 members who are elected for a term of four years.

Georgi Purvanov of the Bulgarian Socialist Party (BSP) won an upset victory over incumbent Petur Stoyanov of the UDF in the November 2001 presidential election. He assumed the presidency in January 2002 for a five-year term. Presidential elections are expected in November 2006.

The June 25, 2005 general elections gave the Bulgarian Socialist Party (BSP) 34 percent of the vote, which translated into 82 seats in the 240-seat parliament. That forced the BSP to seek support in forming a government from the ethnic Turkish Movement for Rights and Freedoms (MRF) and the National Movement for Simeon II (NMSS). While the government formation was painful, the three-party coalition government led by BSP seems to be the best option for domestic stability and timely EU accession. This coalition enjoys the largest parliamentary majority in Bulgaria's post-communist history, with a total of 169 MPs in the 240-seat parliament.

The extreme nationalist political group Ataka (Attack) won 8.7 percent of the vote in June's general election and became the fourth the largest political party in the new parliament. Ataka's platform is heavily xenophobic advocating the ban of ethnic parties, as well as Turkish radio and television broadcasts.

For background information on the political and economic environment of the country, please click on <http://www.state.gov/r/pa/ei/bgn/3236.htm> to U.S. Department of State Background Notes.

[Return to table of contents](#)

## Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

### Using an Agent or Distributor

[Return to top](#)

U.S. exporters, especially small- and medium-sized enterprises, generally choose to enter the Bulgarian market through an agent or distributor. This is because the small size of the Bulgarian market, as well as language, cultural, and other differences will make it difficult to set up a branch or subsidiary at the outset. Even some well-known large American companies are currently represented in Bulgaria by an agent for these reasons.

In considering a potential agent or distributor, common sense prevails: a U.S. company should not automatically sign up the first Bulgarian company that contacts them, and a due diligence background check of a potential business partner, plus frequent visits by the export sales manager, are essential.

The U.S. Commercial Service can assist U.S. firms find an agent or distributor through the International Partner Search and the Gold Key Service which include a search, list of contacts and in-country appointments for the Gold Key Service. See [www.buyusa.gov/bulgaria](http://www.buyusa.gov/bulgaria) for more information on these services.

Bulgarian law stipulates that representation in court and before administrative agencies must be performed by duly licensed members of the Bulgarian Bar Association, who are independent practitioners in law firms or who are certain employees of corporations. Bulgaria does not allow foreign lawyers to practice in Bulgarian courts, except in criminal cases while accompanied by a Bulgarian lawyer, on a reciprocal basis by agreement with the other country. In the case of a corporation, representation may be either by an authorized senior executive of the firm such as executive director, or by an employee who has passed the practical examination of the Ministry of Justice and who has a power of attorney from the corporation to represent it as "in-house counsel."

A Bulgarian patent representative who specializes in intellectual property rights and who is admitted to practice before the Bulgarian Patent Office is also essential for preparing documents to protect intellectual property rights. Some lawyers are patent representatives.

Other services such as filing of corporate documents with the courts, legal opinions, and legal consultations, are in practice performed by self-styled "legal consultants" whose qualifications and experience may vary widely as the field is entirely unregulated. Some legal consultants may be former in-house counsel. Attorneys who are members of the Bulgarian Bar Association also provide such services. Additionally, some of the larger international accounting and consultancy firms have established legal departments, which perform some of the services offered by a law firm.

The AmCham membership list at [www.amcham.bg](http://www.amcham.bg) is a good place to start when looking for legal and other business services in Bulgaria.

### **Establishing an Office**

[Return to top](#)

The Law on Encouragement of Investments (substantially overhauled in 2004) sets forth preferential treatment measures for foreign or local investments. The measures are differentiated according to the class of the investments, and include three levels of benefits, depending on the amount of the investment.

A representative office for information gathering and non-proprietary activities, such as performing promotions, exhibitions, demonstrations, training or advertising of products or services, is established by registration with the Bulgarian Chamber of Commerce and Industry. A representative office is not a legal entity in Bulgaria. Certain restrictions are placed on the office's activities, and in particular a representative office may not carry out commercial activities. The Commercial Code and the Law on Encouragement of Investments define the various forms of economic associations and regulate their foundation, organization, and termination. While it is possible to register a branch of a foreign entity in Bulgaria, the most common type of organization for foreign investors is a limited liability company (OOD), or a one-person owned limited liability company (EOOD) respectively.

### **Franchising**

[Return to top](#)

The first franchise operations in Bulgaria were little more than stores or distribution licenses for trademarked products. Franchising became popular in Bulgaria 25 years ago. The first franchise contracts were signed in the 1970s with Novotel, Sheraton, Hertz, Pepsico, Coca-Cola. More than half of the franchise chains present in Bulgaria have entered the market during the last five or six years. After 1990 a great number of foreign franchisers showed strong interest in Bulgaria. Foreign franchise systems usually have their own outlets in Bulgaria and do not grant franchise rights to franchisees. Since the Bulgarian market is a small one as compared to other markets, franchisers usually grant master franchise for the region (The Balkans or Eastern Europe) to Western companies. Now Pizza Hut, Kentucky Fried Chicken - KFC, Dunkin' Donuts, Shell, Coca Cola, Pepsi Cola, Hill International (Human Resource Consulting Group - Austria), AIMS Bulgaria (Personnel Management), PMC Management (Personnel Management), Arexim (Plastic Garden & Tubular Metal Furniture, Hunter Douglas products), McClean



(MTZ - Germany), Office 1 Superstore USA (retail of stationary), Sheraton Hotels, Herz and Avis (rent-a-car), SHELL, Benetton, NEOSET, Monsieur Bricolage, OMW. and other food services are commonplace and services like executive recruiting operate in Bulgaria. The Bulgarian retail market is now ready for the many products and services that are typically marketed and sold in foreign-based franchise stores. Bulgarian consumers are looking for retailers that can provide a consistent selection of quality products, reasonable prices and good service. Bulgarian entrepreneurs are also eager to obtain transfer of technology and management expertise.

There are three Bulgarian franchisers: Happy (fast food restaurants in all big Bulgarian cities with more than 10 franchisees), Polycontact (an employment agency with 2 franchisees in Varna and Plovdiv); MiKo (production and distribution of Tonus - healthy bread with 1 franchisee in Varna)

The best franchise opportunities are in the big cities (Sofia, Varna, Plovdiv, Burgas) where the population has a relatively high level of disposable income. Sectors with the most potential for U.S. franchisers include automotive products and services, restaurants, hotel and motels, laundry/dry-cleaning, and employment services. Good franchise opportunities also include convenience stores, coffee shops, ice cream/yogurt stores, hardware stores, printing and photocopying services, specialty retail stores, commercial and residential cleaning, equipment rental centers, eye care and optical centers, baked foods, candy and snacks, and educational services.

The Bulgarian legal system accommodates franchise agreements. Laws on labor relations are clearly spelled out, leases can be freely negotiated, and laws protect trademarks, patents and copyrights. The primary challenge in establishing franchises is obtaining sites. In urban areas, especially Sofia, it is sometimes difficult to locate and lease properties at an affordable cost. Difficulties finding locations with clear titles create complications and delays in finding sites. The International Executive Service Corps (IESC) works with Bulgarian companies, matching them with potential U.S. franchise owners. In addition, there is a Bulgarian Franchise Association. A joint research was conducted by IESC and BULFA and the consecutive analysis of pro forma balance sheets and the income/ expenditure statements of fast food outlets taken as an example, showed that the expected franchisee net profit amounts between 21% - 41%.

For more information visit the Bulgarian Franchising Association web site:

<http://www.bulfra.hit.bg/>

## **Direct Marketing**

[Return to top](#)

Direct marketing is relatively undeveloped in Bulgaria. There are few, if any, Bulgarian mail-order catalogs. Vacuum cleaners and cosmetics are being sold fairly successfully door-to-door. Companies employ different marketing techniques. An Austrian company is currently using television home shopping "infomercials" to sell kitchen tools and appliances not available in local shops. Home demonstrations are not popular and have generated little success. Avon and the Swedish company Oriflame report success in the direct sale of cosmetics.

Limitations to expansion of telemarketing are low telephone penetration in rural areas and unreliable mail deliveries. Direct marketing techniques may have more relevance to

larger urban areas as the population of smaller towns is suspicious of direct marketing to end-users, and in less populated areas where contact between people is infrequent, door-to-door selling is viewed as a way to socialize.

Direct marketing through catalogs, telemarketing and the Internet from the U.S. to Bulgaria is still quite difficult. Bulgarians are switching to debit and credit cards but still prefer to use cash. The number of Visa debit and credit cards issued last year in Bulgaria nearly doubled to 265,000 cardholders. Together with the low purchasing power, the high cost of shipping and lack of security for parcels and mail at most homes, catalog and Internet shopping from U.S. vendors is in its infancy.

## **Joint Ventures/Licensing**

[Return to top](#)

There are several laws that govern joint ventures with foreign participation, including the Law on Encouragement of Investments, and the Commercial Code.

Joint ventures with state-owned companies (i.e., wholly owned by the Bulgarian State) must be approved by the Council of Ministers or by the relevant minister. The negotiation phase usually addresses the evaluation of existing assets and contribution of the foreign partner. The foreign contribution can be in cash and/or in-kind, for example know-how. The contribution of the local partner is usually in long-term assets (i.e., existing equipment, facilities, etc.).

Joint ventures with private companies do not follow the same procedures. No government involvement or approval is necessary. After completion of negotiations, the entity must be registered with the appropriate district court. Joint ventures are subject to the provisions of the Law on Protection of Competition regulating concentration of economic activity.

## **Selling to the Government**

[Return to top](#)

Public procurement laws have been substantially revised to comply with EU rules and practices. Modifications have streamlined enforcement of the laws, strengthened the powers of the procurement staff and introduced controls. Public procurement opportunities are published on the web at [www1.government.bg/rop](http://www1.government.bg/rop)

A 2004 Public Procurement Law established a Government Procurement Agency [www.aop.bg](http://www.aop.bg), responsible for public procurement and reporting to the Minister of Economy. The new law also will give preferences on public tenders to Bulgarian companies until 2007.

Public procurement financed by international financial institutions such as the EBRD or World Bank offers the best opportunity for transparent purchasing decisions based on price and other competitive factors. Pursuant to the loan guidelines, tenders must be open and transparent. Results of the tender evaluation process are subject to the review and final approval of the financing institution.

## **Distribution and Sales Channels**

[Return to top](#)

Big changes to Bulgaria's retailing structure started in 1999, when the German firm METRO, the second-largest retailer in the world after Walmart, opened its first cash-and-carry membership store in Sofia. By the end of 2004, these chains had a large number of stores throughout Bulgaria: Billa (20), Fantastiko (18), Metro (7), Ramstore (3), Bricolage (3). New chains continue to appear like the German supermarket Hit. Technopolis, Technomarket, Euromarket and Elite are retail chains for consumer electronics.

Larger cities outside Sofia have at most one or two stores on the scale of a department store. These stores typically retail nonperishable consumer products such as household appliances, furniture, apparel, personal care/hygiene items, and consumer electronics.

Major shopping malls are currently under construction. There are currently many shopping streets, shopping arcades and co-located stores. Recent examples of this trend in Sofia are TSUM (formerly a department store, now several floors of fashionable shops), the Centralni Hali (formerly a vegetable market, now two floors of a wide variety of food and clothing shops, plus a food court), and Vitosha Boulevard, Graf Ignatiev Street, Solunska Street and the renovated Pirotska Street, all of which have many fashionable shops. Regional cities typically have a pedestrian-only shopping area in the center of the city. Consumer-oriented trade shows, seasonal bazaars and specialized annual exhibitions are an important part of the retail scene.

#### **Selling Factors/Techniques**

[Return to top](#)

Bulgarian consumers and companies have low purchasing power, which means that price is a major consideration in developing a market strategy. While some customers may prefer to "buy Bulgarian," frequently there is no Bulgarian manufacturer or it is recognized that the Bulgarian supplier does not have the capacity or the quality of product to meet the customers' needs. So frequently the contest is among American, European and Asian suppliers. American companies are widely recognized for their quality and reasonable price, and value sells well in Bulgaria.

Market statistics are essential to choosing specific marketing strategies, but the Bulgarian market can be complex and difficult to gauge. Available market size statistics are usually unreliable and do not assist in accurately predicting market responses. While low official disposable income statistics might initially discourage market entry, the size of the unofficial economy and inferences from observing actual sales activity paints a brighter picture.

#### **Electronic Commerce**

[Return to top](#)

Shopping over the Internet is not very popular in Bulgaria and most people still prefer to shop at local stores. Hampering the speedy development of e-commerce in Bulgaria is the underdeveloped banking system, small base of credit and debit cards and difficulties in prompt deliveries of goods. Despite these difficulties, some companies are already offering goods for sale over the Internet.

A new e-government project in Bulgaria will introduce 20 new services to citizens and corporate structures. The package of 20 services is the minimum required by the EU for integration in the Pan-European Global Information System. At present Bulgaria offers eleven e-Government services. Around 3,000 companies submit their VAT tax returns

via Internet. Some 2,700 individuals have used the online payment system e-Pay to settle their tax debts.

## **Trade Promotion and Advertising**

[Return to top](#)

Advertising is regulated by the 1998 Law on the Protection of Competition, and the 1999 Law on Protection of Consumers and on Trading Rules. These laws prohibit advertisements that disseminate misleading information to consumers or malign the reputation of competitors. Separate legislation regulates advertising for specific products such as tobacco products, pharmaceuticals, and alcoholic beverages.

There are about thirty companies that provide a full range of professional advertising services. These companies have formed an advertising association, and there is at least one other association comprised of smaller companies.

Bulgaria has a number of industry-specific trade shows. Many U.S. products are displayed through agents, distributors and dealers. Information on trade shows in Bulgaria is available in Chapter 9 of this Guide or through links on the U.S. Commercial Service website [www.buyusa.gov/bulgaria](http://www.buyusa.gov/bulgaria).

## **Pricing**

[Return to top](#)

Due to low per capita income and purchasing power, consumers are highly price sensitive. However, consumers are willing to spend more in return for higher quality. Most people restrict purchasing to basic necessities. Imported products are typically higher priced than locally produced goods. However, small niche markets exist where consumers demand high-end luxury goods.

U.S. manufacturers considering export to Bulgaria should look closely at ways to cut transportation and distribution costs for selling to Bulgaria so that Bulgarian customers can benefit from the wide variety and attractive prices of American products.

## **Sales Service/Customer Support**

[Return to top](#)

Bulgarian consumers expect good after-sales service and customer support when purchasing products. New private companies understand the importance of customer support and follow through on promises.

Companies expect support from the U.S. exporter when purchasing imported products. Given that prices are generally higher and their limited budgets are already stretched, service and support by their suppliers are mandatory in their view. Emphasis on customer support is an initial step in developing customer loyalty.

Most American companies operating in Bulgaria provide training to their distributors/agents. In many cases, agents and distributors are trained in the United States in order to communicate the firm's distinctive corporate policies, behavior and standards.

Bulgarian law protects the acquisition and disposition of property rights.

Bulgaria is a member of the World Intellectual Property Organization (WIPO) and a signatory to the following agreements:

- Paris Convention for the Protection of Intellectual Property;
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcast Organizations;
- Geneva Phonograms Convention;
- Madrid Agreement for the Repression of False or Deceptive Indications of Source of Goods;
- Madrid Agreement on the International Classification and Registration of Trademarks;
- Patent Cooperation Treaty;
- Universal Copyright Convention;
- Bern Convention for the Protection of Literary and Artistic Works;
- Lisbon Agreement for the Protection of Appellations of Origin and their International Registration;
- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Protection;
- Nairobi Treaty on the Protection of the Olympic Symbol;
- Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks;
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks;
- Strasbourg Agreement Concerning the International Patent Classification;
- Locarno Agreement Establishing an International Classification for Industrial Designs;
- WIPO Copyright Treaty; and
- WIPO Performances and Phonograms Treaty.

Individual property rights protection issues are described in Chapter 6 of this Guide.

There is only one internationally recognized credit-reporting agency in Bulgaria. Credit Reform Bulgaria, headquartered in Germany, although there are new companies that have advertised their ability to check corporate references and provide corporate financial data.

An agency called the Financial Intelligence Agency (full member of the international EGMONT Group) has been established with the Ministry of Finance in 2001 by virtue of the Law on Amendments and Complements to the Law on Measures against Money Laundering (LMML). The Agency receives, preserves, examines, analyses and discloses to law enforcement bodies information, connected with suspicion of money laundering or financing of terrorist activities. The Agency also carries out international exchange of financial intelligence information and performs control over the persons under article 3, paragraphs 1 and 2 of the LMML with regard to the compliance with the anti-money laundering measures and measures against financing terrorist activities.

The International Company Profile is a service that is offered by the U.S. Commercial Service for evaluating potential business partners. See [www.buyusa.gov/bulgaria](http://www.buyusa.gov/bulgaria) for more information on these services.

### **Local Professional Services**

[Return to top](#)

The American Chamber of Commerce in Bulgaria (AmCham) maintains a membership list that can be sorted by product and service. The AmCham web site [www.amcham.bg](http://www.amcham.bg) is a good place to start when looking for legal and other business services in Bulgaria. From the AmCham home page, click on "About us" then "Members list" for a directory of local professional services.

### **Web Resources**

[Return to top](#)

<http://sofia.usembassy.gov/> (U.S. Embassy, Sofia)

[www.buyUSA.gov/bulgaria](http://www.buyUSA.gov/bulgaria) (U.S. Commercial Service, Sofia)

[www.government.bg](http://www.government.bg) (Bulgarian Government English language site)

[www.amcham.bg](http://www.amcham.bg) (American Chamber of Commerce in Bulgaria)

[www.bcci.bg](http://www.bcci.bg) (Bulgarian Chamber of Commerce and Industry)

<http://b2b.bia-bg.com/index.asp> (Bulgarian Industrial Association)

[www.biba.bg](http://www.biba.bg) (Bulgarian International Business Association)

[www.sofiaecho.com](http://www.sofiaecho.com) (English language news service for Bulgaria)

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 4: Leading Sectors for U.S. Export and Investment

- [Agricultural Sector](#)

### **Commercial Sectors**

- [Automotive Parts and Service Equipment](#)
- [Aviation Equipment and Services](#)
- [Building Products](#)
- [Computer Software, Computers and Peripherals](#)
- [Power Equipment and Services](#)
- [Medical Equipment](#)
- [Pollution Control](#)
- [Telecommunications](#)
- [Tourism Infrastructure](#)
- [Safety and security/ Defense](#)

## **Automotive Parts and Service Equipment**

### **Overview**

[Return to top](#)

The automotive market in Bulgaria is characterized with steady growth of new car imports and sales, and decreasing imports of used cars. In 2004 new car sales registered a 50% growth, and in 2005 sales were up 40%. Despite the upward trend, automobiles in Bulgaria tend to be very old with the continued import of used cars at a rate of about 170.000 cars per year.

Almost 20% of the cars registered in Bulgaria are older than 20 years. Since 2000 Bulgarian families prefer to buy cars not older than 10 years. Now almost 70% of Bulgarian families own a car and almost 80% of the firms with business activities have motor pools, which depending on their activities, consists of cars, vans, minibuses, jeeps and light trucks.

Many Bulgarian car owners do their own service, such as oil changes, filter replacement, simple adjustments, rubber belts replacement, and brake and brake shoe lining replacement. This is done after the car owners buy the spare parts from independent auto part stores or go directly to some of the many small independent garages or auto repair shops.

Companies, which own and operate a motor pool prefer to assign to their drivers only car cosmetic and simple car care activities, while the regular alignments, maintenance, overhaul and repair is done in service stations.

The automotive and especially the accident repair car business is one of the fastest growing in Bulgaria. The growth in numbers of European cars will lead to a need for more sophisticated service and car body repair equipment, both mechanical and electronic, paint products and application methods at an affordable price. The official distributors of all new car models maintain warranty service and repair stations within their company structures. The new, sophisticated electronic car equipment requires special analyzers, testers and experts to deal with it.

### **Best Products/Services**

[Return to top](#)

Best sales prospects include consumables, including oil and air filters, wiper blades, rubber blades, hoses, gaskets and rings, engine parts, brake parts, exhaust system parts, car body parts, accessories such as wheel covers, car/truck bed covers, car batteries, exterior accessory lights, auto security products such as alarms, steering wheel locks, service equipment for electronic diagnosis, monitoring, testing and analyzing, wheel balancing, tire changing, oil changing, battery chargers, quick repair kits, tools, paints and auto cosmetics.

### **Opportunities**

[Return to top](#)



In near and medium term, greater opportunities exist in import of second hand cars, year of manufacture after 2000, import of monitoring, testing devices and servicing equipment for the younger generation of cars, testers for the electronic car components, antitheft car devices, car safety and security devices.

## **Resources**

[Return to top](#)

Union of Car Importers in Bulgaria (UCIB) – [www.svab.bg](http://www.svab.bg)

Bulgarian Customs – [www.customs.bg](http://www.customs.bg)

Expoteam (organizer of the largest automotive market and aftermarket show in Sofia) – [www.expoteam.org](http://www.expoteam.org)

Bulgarreklama (organizer of the International Plovdiv Fair) – [www.bulgarreklama.bg](http://www.bulgarreklama.bg) and [www.fair.bg](http://www.fair.bg)

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## Aviation Equipment and Services

### Overview

[Return to top](#)

The total market for aviation, runway systems and air traffic control equipment and services for the next two years is estimated at \$200 million. This market is supplied almost entirely by imports. Imports are expected to grow over the next two years at an average rate of 27%.

Growth in this market has been influenced by the ICAO and IATA requirements for sustainable development, quality improvements, safety and security upgrades and compliance to international standards.

The end user market includes 3 international airports, the Civil Aviation Administration (CAA), Air Traffic Services Authority (ATSA), the major international air carriers and services companies licensed to provide ground-handling activities.

There are three international and seven domestic airports in Bulgaria. Sofia Airport is the largest in the country and handles most international traffic. As of the end of 2005 all three airports are still owned by the government but are operated as commercial enterprises.

In 2002, the Ministry of Transport and Communications signed a grant agreement with USAID for technical assistance in preparation of a concessions program and strategy for two of the three international airports – Varna and Bourgas. The concessionaire that was selected in 2005-Copenhagen Airport, is expecting a final court decision on the legitimacy of the contract signed with the Bulgarian Ministry of Transport.

#### a. Sofia Airport

In 2000, Sofia Airport financed completion of a facelift and renovation of the international departure and arrival terminals, which date from 1940. In March 1998 the Government of Bulgaria approved a financial agreement with the European Investment Bank (EIB) for an ECU 123 million loan for development planning for the expansion of Sofia airport, design and construction of a new passenger terminal building, and extension of the existing runway. In August 1998, the Government of Bulgaria approved a \$40 million loan from the Kuwait Development Fund for additional financing for extension and resurfacing of the existing runway, construction of a new parallel runway and additional taxiways. In 2005 both projects have advanced to the stage of completion.

The reconstruction plans envisage a new terminal with a capacity of 2.5 million passengers/year (2,500 passengers/hour at peak hours), a floor area of 26,000 square meters, new aprons covering 38,000 square meters, and road access and parking lots covering 18,000 square meters.

The current single 2,800-meter runway will be extended 540 meters to the east to a total length of 3,340 meters and completely resurfaced with specifications of 45 x 3600 cm and PCN 90, together with additional taxiways covering 20,000 square meters.

#### b. Sofia Airport Cargo Terminal

The Sofia airport master plan envisages extension of the existing cargo terminal and construction of a new one. The preliminary terms of reference for the Sofia airport cargo terminal project comprise of two phases. The first phase is a feasibility study of the project and construction of a new cargo terminal to handle approximately 25,000 tons of cargo annually. The second phase is completion of the construction of the cargo terminal to increase the capacity with another 25,000 tons annually. The total capacity of the new cargo terminal is estimated at approximately 50,000 tons annually. Estimated value of the project is \$35 million. In 2004 Ministry of Transport and Communications and Sofia Airport management signed a strategic partnership agreement with Militzer & Munch BG Co.Ltd Transport Logistics Services for operation and development of the existing cargo terminal.

c. It is expected that Varna and Bourgas airports will undergo upgrade and modernization upon approval of the concessionaire contract with the selected winner.

#### d. Air Carriers

There are 50 licensed air operators in Bulgaria and total number of 364 aircraft of which 202 have a valid "CofA" (Certificate of Airworthiness) code. The total number of large aircrafts (over 5700 kg) is 99 of which 84 have valid "CofA" code. The total number of small aircraft (below 5700 kg) is 175 of which 78 have a valid "CofA" code. The total number of large passenger aircraft is 71, cargo – 27 and private - 1. The total number of small passenger aircraft is 1, cargo – 2, aerial work – 162 and private - 10.

The fleet as specified consists of the following type and category by alphabetical ranking: Airbus 320, Antonov 12, 24 and 26, ATR, Bae-146, Boeing 737, Falcon 2000, L-410, MD 80, Tupolev 134, Tupolev 154, YAK 40, Antonov 2, Beechcraft SK 200, Cessna, Cirrus SR 22, M-18, Piper PA 28-151, PZL-104 Wilga, PZL-150 Coliber, Socata TB-10, Turbo Trush, YAK 18, Z-143L and Z-37. The helicopter fleet consists of large helicopters (over 3175 kg) type Ka-26, Ka-32, Mi-2, Mi-8 and Mi-26, total number in register 84 of which 36 have a valid "CofA" code and small helicopters (below 3175 kg) type Bell 407, BO105+SA 365N1 and Enstrom 280FX, total number in register 5 of which 4 have a valid "CofA" code.

In 1991 Bulgaria was the first among the Eastern block countries that introduced the new generation of aircraft - B737-500, B767-200 and Airbus A-320. In 2002 almost all airlines started upgrade and modernization of their fleet. Among the most active tourist charter flight air carriers are: Air Via, Bulgarian Air Charter, Balkan Holidays Charter as well as the regular passenger flight carriers Balkan Air and Hemus Air. The passenger charter flight carriers operate approximately 30 aircraft within the range 100 and 125-160 seats. 16 of these aircraft have already been replaced with newer and higher generation B737, A320, MD82, Bae146 whereby the first three types are being majority used.

The other remaining 14 aircraft TU154M for 160 passengers may be replaced in short to medium term, and depending on the passenger traffic the Bulgarian air fleet is estimated to grow and modernize.

Nowadays the three air carriers that perform regular international passenger flights are Bulgaria Air, Hemus Air and Air Viaggio.

a. Bulgaria Air

In August 19, 2004 the Bulgarian Minister of Transport and Communications and Deputy Prime Minister Nikolai Vassilev declared Bulgaria Air back for privatization. His basic statement was that big air carriers would be preferred buyers for the privatization of Bulgaria Air. In 2003 Bulgaria Air registered revenue of BGN 1.5 million and between January and July 2004 - BGN 2.4 million. The aircraft fleet of Bulgaria Air increased from two aircrafts in 2002 to four in 2003, and to date the company leases 8 x B737-300 aircraft. The number of the destinations has increased from 12 to 18 in 2004. At present Bulgaria Air flies direct to London, Paris, Rome, Brussels, Amsterdam, Copenhagen, Stockholm, Berlin, Frankfurt, Madrid, Lisbon, Tel Aviv, Moscow, Zurich, Vienna, Prague and Milan. The number of the charter flights in the overall structure of passenger traffic increased from 16.64% in 2003 to 28.58% in 2004 and up to 30% in 2005. The CEO of Bulgaria Air estimates increase of company market share to 40% by 2007. The average number of passengers for the last two years is approximately 1 million.

b. Hemus Air

In August 2003 – Chimimport (foreign trade organization active for many years now on the Bulgarian chemical market) acquired 100% of Hemus Air shares. Chimimport, together with other partners in return is affiliated with TIM group of Varna. At present it operates 20 aircrafts among which two BAE 146-200 Jumbolino, three TU-154 M, three TU-134A, seven JAK-40 and one L-410 UVPE. It operates as one of the most successful regional air carriers to Norway, Cyprus, Lebanon, Greece, Libya, Dubai, Germany, Macedonia, Romania, Kosovo and Slovenia.

c. Viaggio Air

It has been registered and has been given operational license in 2002. It operates several regional destinations – Viena, Istanbul, Kiev and Athens. In November 2004 Hemus Air acquired majority shares of Viaggio Air. At present it operates ATR-42 aircraft as well.

As far as C-check and D-check of the Bulgarian air fleet is concerned there is little statistics evidencing the amount of maintenance and repair spare parts. The average amount for maintenance related to C-checks in Bulgaria is \$40-50.000 per aircraft when scheduled time for the check approaches.

**Best Prospects/Services**

[Return to top](#)

Over the short and medium term, demand is estimated to be highest for airport and air traffic control equipment and related services, for services related to concessioning of airport activities, to cargo handling outsourcing and management, runway systems improvement, and safety and security equipment

**Opportunities**

[Return to top](#)

Sofia new passenger terminal development, Varna and Bourgas concessions, Sofia runway extension development, upgrade of existing safety and security systems and equipment, Air Traffic Services Authority (ATSA) modernization and upgrade.

## **Resources**

[Return to top](#)

Ministry of Transport and Communications --[www.mtc.government.bg](http://www.mtc.government.bg)

Civil Aviation Administration – [www.caa.bg](http://www.caa.bg)

Airport Sofia – [www.sofia-airport.bg](http://www.sofia-airport.bg)

Bulgarian Aviation directory – [www.aviation.bg](http://www.aviation.bg)

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## **Building Products**

### **Overview**

[Return to top](#)

The stable economic conditions and new investments in Bulgaria have contributed to the expansion of the building materials market in Bulgaria. In particular, Bulgaria's housing market is experiencing rapid growth. The Bulgarian market for building materials is classified in the field of the fastest growing sectors of the country economy (more than 20% per annum).

Traditionally, Bulgarian buildings are constructed with un-reinforced brick covered with concrete stucco or, more recently, with steel-reinforced concrete with brick infill. Bulgarian buildings are energy inefficient, heavy, and take a long time to build. Wood and steel frame buildings are almost unknown, though Bulgarian builders are starting to look at American-style platform-frame wood construction and prefabricated housing.

Most building materials are imported or manufactured in Bulgaria by European brand names firms, such as glass, cement, paint and varnishes. As most modern building materials are imported, Bulgaria has no applicable standards or testing in this sector. Materials from well-known manufacturers that have certificates from the country of origin are accepted in the market based on technical merit.

### **Best Prospects/Services**

[Return to top](#)

The existing situation in the housing and urban market in Bulgaria offers many opportunities to promote high-tech American building materials based on advanced U.S. technology. U.S. value-added building products that may have very good market prospects include wooden and vinyl windows, doors, flooring, kitchen cabinets, suspended ceilings, insulation, adhesives, cements, roofing shingles, heating and ventilation equipment, air conditioning, refrigeration and cooling systems, steel buildings and fabrications. Other potential imports from the United States could include framing lumber, plywood, molding and fiberboard. In addition, the Bulgarian remodeling market may grow significantly over the long term, offering U.S. companies opportunities in this subsector.

### **Opportunities**

[Return to top](#)

The building and construction sector is one of the booming and most promising sectors in Bulgaria. It offers a lot of business opportunities for U.S. companies in luxurious properties, holiday real estate, administrative buildings and trade outlets. The demand for residential, industrial and recreational facilities after 2004 almost doubled. The investment in real estate transactions and property development in Bulgaria reached a billion euro by the end of 2005. The volume of investments in real estate projects, including land purchases, construction works and transactions, totaled about 900 million euro for the first nine months of 2005.

In the coming years, 680,000 housings in Bulgaria will need to be rehabilitated, including 360,000 pre-fabricated units, 150,000 reinforced concrete units and 170,000 solid units.

## **Resources**

[Return to top](#)

Ministry of Regional Development (Directorate for National Construction Supervision)

[www.mrrb.government.bg](http://www.mrrb.government.bg)

Chamber of the Architects in Bulgaria - [www.geocities.com/arch\\_art/kabinx.html](http://www.geocities.com/arch_art/kabinx.html)

Bulgarian Building and Construction Chamber - [www.bbcc-bg.org](http://www.bbcc-bg.org)

Information data base in the area of the furniture and interior - [www.mebeli.info](http://www.mebeli.info)

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## **Computer Software, Computers and Peripherals**

### **Overview**

[Return to top](#)

U.S. software products are extremely well accepted for their high quality and innovative solutions. The products of major U.S. suppliers such as Microsoft, Oracle, Informix, Novell, and Sun Microsystems are well established and are extremely competitive. The development of the Bulgarian software market largely depends on government action (legislation and enforcement) with regard to the protection of intellectual property. There are no market barriers on the import of U.S. software products and there are no customs duties on the import of software.

The computer and peripherals market in Bulgaria is also very well developed. The top 20-25 suppliers dominate a market of about 500 companies. Computer hardware represents 85 percent of the total market and 80 percent of the import market. Peripherals represent 15 percent of the total market and 20 percent of the import market. These proportions are expected to remain unchanged over the next few years.

Computers and peripherals in Bulgaria are usually purchased directly from computer suppliers, who actively advertise in both specialized and daily newspapers. The biggest end-users in Bulgaria are the Government, municipal and related public sector entities, big commercial banks, large private enterprises, state-owned companies, small companies and individual users.

### **Best Prospects/Services**

[Return to top](#)

Promising sub-sectors include application software, networking software, electronic design automation, CAD/CAM, computer aided engineering (CAE), Internet software, software products which support Wireless Application Protocol (WAP), e-business management solutions, enterprise planning, software for web-design and banking software.

Best prospect subsectors for U.S. suppliers include personal computers, servers, laptops, modems, printers and scanners. The three most important competitive factors in the Bulgarian computer hardware and peripherals market are price, quality, and after sales support. Due to the fact that many of the big sales opportunities are for rather complex Government procurements, U.S. companies have to be prepared to consider offering pre- and post-sales consulting services. That is why American companies that want to enter the Bulgarian market should consider establishing a direct presence in the market, or alternatively should appoint a local agent or distributor.

### **Opportunities**

[Return to top](#)

Opportunities for providing software in the following industries: education; e-government; construction; entertainment; finance; banking; freight forwarding; healthcare; insurance; pharmaceuticals; telecommunications and tourism.



There are a number of government tenders coming up for computers and peripherals.

## Resources

[Return to top](#)

Bulgarian Association of Information Technologies [www.bait.bg](http://www.bait.bg)

BASSCOM [www.basscom.org](http://www.basscom.org)

Ministry of Transport and Communications [www.mtc.government.bg](http://www.mtc.government.bg)

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## **Power Equipment and Services**

### **Overview**

[Return to top](#)

Most electric power equipment in Bulgaria is imported, with major market share held by European producers such as Siemens, ABB, Dalkia, Enel Produzione, Rheinbraun, Schneider, and Alstom. Since 2003, imports have increased significantly due to the modernization of the Kozloduy Nuclear Power Plant Units 5 and 6, TPP Maritza East 2 rehabilitation, TPP Maritza East 3 upgrade, installation of cutting sulphur dioxide emissions equipment Maritza East 3, and the installation of district heating substations and preinsulated steel pipes for district heating network in Sofia.

### **Best Products/Services**

[Return to top](#)

Best sales prospects are for transmission lines equipment, steam boilers and turbines, emissions control equipment, pumps and pump inventors, electric generating sets, motors, generators, power transformers, voltage switchgears, valves, pre-insulated steel pipes for district heating systems, heat exchanger and heat joints for pipelines, speed control for regulators for the district heating system. Other promising manufacturing industries are district heating and cogeneration equipment and technologies, nuclear power generating equipment, turbines, pumped storage plants and transmission lines. Another potential best prospect is for radioactive waste treatment and interim storage at the Kozloduy NPP site. Many hydropower and thermal power plants have been recently privatized, which may be attractive for U.S. electric power companies.

Much attention has been given towards preventive maintenance, audits and repairs of operating facilities, and system-significant facilities. This can be expected to continue, producing new opportunities for firms in these fields.

The largest end-users of power equipment and technology in Bulgaria are the National Electric Transmission Company, municipal and related public sector utilities, the thermal power plants and large private and state-owned enterprises. U.S. power equipment manufacturers represented in Bulgaria include Honeywell, Entergy, Black & Veatch, WorleyParsons, Emerson, Nexant, General Electric, Westinghouse, Montgomery Watson Harza.

Privatization procedures concerning electricity and heating generation companies are currently underway. As on December 31, 2005, a total 24 companies in the sector remained under a state control. Of those companies, 11 will be sold.

### **Oil and Gas Pipelines**

Bulgaria's geographic location on the Black Sea gives it the ability to serve as a transit route for Caspian Sea oil exports headed to European refineries, as well as a transit point for Russian gas exports to Turkey. Oil is imported through Bulgaria's main port at Burgas, where both the oil terminal and refinery are connected by pipeline to several

Bulgarian cities. While Bulgaria currently has no oil pipelines, there are two plans to develop new cross-border pipelines.

Bulgaria has a 2,200-kilometer gas pipeline network operated by the state-owned company Bulgargaz to carry Russian gas supplied by Gazprom throughout the country, with connections from Romania and to Greece and Turkey. Since 1975 the pipeline has been owned, operated and maintained by the large state-owned gas utility Bulgargaz EAD. The gas firm long had a monopoly over gas distribution to customers and resale of natural gas to neighboring countries such as Turkey, as well as gas transmission.

Preliminary studies on realization of the Nabucco gas pipeline project are included in the strategic plan of the national gas company. The project will be carried out by a consortium of gas companies Botas - Turkey, "Bulgargaz" - Bulgaria, TRANSGAZ - Romania, MOL - Hungary and OMV Erdgas – Austria.

Bulgaria is in a process of transformation of its energy sector not only for economic and environmental reasons, but also in order to raise the level of its energy capacity, as well as to synchronize its energy complexes with those of the European Union. That is why the country's independence in terms of energy and finding different oil, natural gas and coal suppliers is so important.

## Opportunities

[Return to top](#)

- Rehabilitation and Modernization of the power transmission system (Energy Project 2) – 154 million euro;
- 40 kV interconnection Line between Bulgaria and Macedonia – 40.5 million euro
- Construction of hydro cascade at Tsankov Kamak (dam, hydropower plant and Underground pressure derivation)– 220 million euro;
- Construction of 670 mW lignite fired capacity at Maritsa East 1TPP site – 1.1 billion euro project with major investor AES;
- Construction of new Belene NPP with two 1,000-megawatt reactors. The project is estimated to be 2.5billion euro;
- Energy Efficiency project – World Bank Grant of USD10 million. The project will support the commercially oriented operation of the Bulgaria Energy Efficiency Fund (BEEF). The primary goal of BEEF is to develop and finance bankable energy efficiency projects that can reduce greenhouse gas emissions in a sustainable manner. The Project consists of three components: partial credit guarantees to share in the credit risk of energy efficiency projects; loans to co-finance energy efficiency projects on a commercial basis; and technical assistance to initially finance a portion of project development and operating costs of BEEF.

## Resources

[Return to top](#)

Ministry of Energy and Economy [www.mee.government.bg](http://www.mee.government.bg)

Bulgargaz EAD [www.bulgargaz.bg](http://www.bulgargaz.bg)

National Electric Company [www.nek.bg](http://www.nek.bg)

Sofia District Heating Company [www.toplo.bg](http://www.toplo.bg)

Kozloduy NPP [www.kznpp.org](http://www.kznpp.org)

State Energy Regulatory Commission [www.dker.bg](http://www.dker.bg)

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## Medical Equipment

### Overview

[Return to top](#)

Public expenditures for healthcare have grown from 3.8% of GDP in 2002 to 4% in 2003, 4.3% in 2004 and 4.4 for 2005. In actual figures, this amounts to \$591.4 million in 2002, \$775.6 million in 2003, \$835.3 million in 2004 and 1,232.0 million in 2005. Estimates for 2006 are 4.4% of the national budget to be allocated for healthcare instead of the requested 4.9%. The budget cut is due to the IMF requested restrictions.

The healthcare budget is allocated as follows:

- National Health Insurance Fund - 61.5%
- Ministry of Health – 29.0%
- Municipality Healthcare budgets - 5.1%
- Other Ministries and State Institutions - 3.1%
- Miscellaneous sources such as private companies - 1.3%

In 2004 and 2005 the municipal hospitals have been financed entirely by the National Health Insurance Fund (NHIF). This means that they have been required to work within the scope of the so-called clinical paths (a system close to the Disease Related Groups – DRG). These clinical paths are standard operating procedures for diagnosing and treating of specific diseases. The clinical paths are organized by categories of diseases and provide a number of diagnoses for each disease. For example, the category for infectious diseases includes 109 diagnoses. In total, there are 240 clinical paths in all major diseases covering over 5,000 diagnoses. The entire hospital care for 2006 is estimated to be financed entirely by the NHIF under 350 clinical paths. This will result in a bigger NHIF deficit within its budget amounting to \$946 million. The Ministry of Health will cease to provide any healthcare funding with the exception of certain specific national grant programs.

Those municipalities that are judged not to merit a hospital by the NHIF will be forced to close their hospitals and replace them with smaller medical centers. These medical centers will only provide emergency care and will be limited to 10 beds. In addition to the municipal hospitals, Bulgaria has regional hospitals, National Healthcare Centers and University hospitals.

Over the past several years, the system of health care has been reshaped by the introduction of general practitioner (GP) primary care providers, as well as by the introduction of new privately run groups of practices. These practices were created through the transformation of the traditional government or municipal outpatient clinics and through the process of gradual conversion of fully sponsored inpatient hospitals into organizations managed on the basis of health insurance. The newly shaped healthcare system providers are aiming at restructuring and upgrading of their equipment and hardware base.

Since 2001 the National Health Insurance Fund has been operating as the main agent of financing primary care. Healthcare contributions are now the main source of funding health activities, with diminishing government subsidies and rising patient co-payments.

### **Best Products/Services**

[Return to top](#)

Support for outpatient and inpatient care, invasive and noninvasive surgery, ultrasound equipment, in-vitro diagnostic equipment, urology equipment, laboratory and testing equipment, diagnostic imaging equipment, tissue and blood bank related equipment etc. hospital care equipment; hospital information systems.

### **Opportunities**

[Return to top](#)

Medium and long-term procurements will be made for information systems developed for the National Health Insurance Fund, as well as training, public information and technical assistance, and support for outpatient and inpatient care. Hospitals perform regular procurements of diagnostic equipment, modern patient monitoring systems and hospital management systems.

### **Resources**

[Return to top](#)

Ministry of Healthcare – [www.mh.government.bg](http://www.mh.government.bg)

Bulgarian Drug Agency – [www.bda.bg](http://www.bda.bg)

World Bank – [www.worldbank.bg](http://www.worldbank.bg)

National Health Insurance Fund (NHIF) – [www.nhif.bg](http://www.nhif.bg)

European Bank for Reconstruction and Development – [www.ebrd.bg](http://www.ebrd.bg)

Bulgarreklama (agency organizing the international exhibition Bulmedica, Buldental, Buloptics, Bullabor) – [www.bulgarreklama.com](http://www.bulgarreklama.com)

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## **Pollution Control**

### **Overview**

[Return to top](#)

Bulgaria is a promising but largely unexplored market for U.S. environmental pollution control products, equipment, services and technologies. In addition to domestic concerns such as human health, protection of nature, industrial efficiency and promotion of tourism, the process of Bulgaria's accession to the European Union in 2007 will require a massive environmental cleanup in Bulgaria and strict implementation of environmental standards. Bulgaria will need more than US\$7 billion for environmental projects in order to meet EU requirements for accession. The EU is providing major grant financing for environmental infrastructure projects. However, Bulgaria hasn't utilized this option very well. Bulgaria will need to import almost all of the technology for this, and U.S. companies that possess world-class, competitive technology, equipment, services and systems will be best poised to benefit from these opportunities.

Some U.S. companies are already working in Bulgaria successfully. The price, low US dollar, quality, technological leadership, and reputations of U.S. companies are often viewed in Bulgaria as effective counterweights to pressure from European Union (EU) companies to "buy European."

### **Best Products/Services**

[Return to top](#)

U.S. companies have best prospects in the following sectors: energy saving equipment for industrial and urban purposes; wastewater and drinking water treatment; recycling and waste utilization; solid and hazardous waste collection, disposal and treatment; renewable energy equipment; clean production technologies.

### **Opportunities**

[Return to top](#)

Bulgaria has major opportunities in the field of water and wastewater treatment. Over 17% of the existing sewerage system needs to be replaced either because of age or outdated technology. More importantly, 98% of the villages have no sewerage systems. Urban wastewater treatment plants are planned for 430 cities and towns with populations over 2,000 until 2015. Most industries in Bulgaria need to construct or upgrade their wastewater treatment facilities in the next 3-4 years in order to meet the new EU requirement that has been incorporated in the Bulgarian environmental standards.

Renewable energy sources are still underused. However, with EU accession, Bulgaria will be required to generate at least 8% of its total power from renewable sources. Bulgaria has a potential for generation of hydro, geothermal and wind energy. Most industries and households require energy saving products and technologies in order to minimize the hazardous effect on the environment and reduce their energy bills.

Bulgaria utilizes the method of landfill disposal for municipal waste. With few exceptions, landfills mentioned do not comply with the new requirements and need reconstruction. There are 600 unregulated landfills that Bulgaria will have to close before the EU accession. There is a critical need to find ways to handle hazardous, solid, and industrial

waste, such as incineration, plasma technologies, waste-to-energy, recycling, and waste minimization.

The air pollution control sector will provide opportunities for construction of desulfurization installations at large combustion facilities, installation of filters for reducing of heavy metal and organic pollutants emissions from the energy sector, reconstruction, modernization and capacity increasing measures for central heating systems, creation of the necessary infrastructure for enhancing the gas supply for household and industrial consumers, reconstruction and construction of facilities in the metallurgy sector for preventing dust, sulfur dioxide and heavy metal emissions, and increasing the production of unleaded gasoline.

## **Resources**

[Return to top](#)

Ministry of Regional Development and Public Works [www.mrrb.government.bg](http://www.mrrb.government.bg)

Ministry of Environment and Water [www.moew.government.bg](http://www.moew.government.bg)

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## Telecommunications

### Overview

[Return to top](#)

Bulgaria has one of the highest penetrations of telephone service in Eastern Europe, with around 38 subscribers per 100 inhabitants. The Bulgarian Telecommunications Company (BTC), a formerly state-owned enterprise overseen by the Ministry of Transport and Communications, owns Bulgaria's largest fixed telecommunications network.

Fourteen Bulgarian operators have been licensed to install and operate a network for fixed-line voice telephony. Despite the license, only Vestitel BG, Neterra, and BTC have their own fixed infrastructure. The rest of the companies primarily offer VoIP services and have signed interconnectivity agreements. They will now be able to compete on an equal footing with BTC. The move is expected to cut the tariffs for international and long-distance calls while having only a marginal effect on BTC's market penetration.

Bulgaria has a digital cellular telephone network operated by the Bulgarian company Mobitel that uses the Pan-European digital GSM standard (900 MHZ). The second GSM operator, COSMO Bulgaria Mobile, launched operations of a service called Globul in 2002. The number of subscribers of the two mobile operators exceeded 4.28 million as of January 2005. In 2004, BTC was granted a license for Vivatel, the third GSM operator. Vivatel launched operations in November 2005.

Bulgaria held tenders for 3G mobile network licenses and WiMAX Class A and Class B point-to-multipoint wireless license in 2005. The WiMAX licenses went to MTel, Orbitel, Nexcom and Cablenet.

Bulgaria has about 12 Internet service providers who have their own network. Current dial-up access speeds over regular lines generally offer a reliable connection up to 54,600 bps. Cable and DSL broadband are now largely available and affordable. Since the Bulgarian Telecommunications Company provides affordable ADSL access, both business and private ADSL users increased. There are 2,200,000 Internet users as of September 2005.

Bulgaria's broadcast and cable media are also expanding. There are 500 cable TV providers with more than 1 million subscribers or 53.6% of the households. Cable TV operators are upgrading their networks in order to be able to provide interactive services such as Pay Per View TV, Video on Demand, cable Internet and telephony services. These companies are also considering entry into the telecommunications services market. A number of companies have already started providing phone services using VoIP technology.

### Best Products/Services

[Return to top](#)

There is an expanded demand for U.S. providers of advanced telephone service solutions, as well as value-added telecommunications services. Other best prospect subsectors include Internet services, wireless and broadband Internet access

technologies, cable television, and voice-over-Internet, routers, switches, access servers, equipment for mobile telephony, cable operators' equipment for transmission and fixed wireless equipment.

## **Opportunities**

[Return to top](#)

The Bulgarian Telecommunications Company (BTC) is expected to invest in the upgrade of the fixed-line network. WiMax licenses were issued at the end of 2005 and the licensees are expected to launch the service in 2005.

## **Resources**

[Return to top](#)

State Agency for Information Technology and Communications  
Bulgarian Telecommunications Company [www.btc.bg](http://www.btc.bg)  
Internet World Stats. Usages and Population Statistics  
[www.internetworldstats.com/europa2.htm](http://www.internetworldstats.com/europa2.htm)

For more information on market entry strategies contact:  
[Stanislava.Dimitrova@mail.doc.gov](mailto:Stanislava.Dimitrova@mail.doc.gov)

## **Tourism Infrastructure**

### **Overview**

[Return to top](#)

The World Tourism Organization ranks Bulgaria as the second fastest growing travel market in Europe. Bulgaria's improved facilities and hotels, great affordability and accessibility are gaining popularity amongst business and leisure travelers around the world. This Balkan country offers a wide range of archaeological, historic, scenic and recreational attractions. As a result, the tourist market in Bulgaria has been growing 10-12% annually for the past three years. In 2005, the sector represented 16% of the country's GDP and employed almost 29% of the workforce. Currently, the market is concentrated at the Black Sea resorts in the summer and at the mountain ski resorts in the winter. The construction process in the big seaside and mountainous resorts remains a challenge for the tourism industry. However, Bulgaria seeks to develop a broader tourist industry based on its culture and scenic beauty. This includes rural tourism, cultural tourism, and eco-tourism. In addition, the country hopes to shift a greater percentage of its tourist trade away from low revenue package tours and into more luxurious and upscale projects. Finally, Bulgaria hopes to become the Southeast Europe center for business and convention meetings.

The new market segment of the tourism infrastructure is the closed-type holiday villages along the Black Sea coast and the ski centers. Some 300,000sq.m of such villages situated on southern coastal area, will be fully completed by summer 2006. Part of these holiday villages are for rent for the summer season and some 30-40 percent are preliminary sold as apartments.

### **Best Products/Services**

[Return to top](#)

U.S. companies that specialize in hotel management, theme park development, amusement games and attractions, golf course development, fast food establishments, sports and leisure facilities, casino management, environmental control may have excellent opportunities to participate in the upgrade of major tourism-related infrastructure facilities.

### **Opportunities**

[Return to top](#)

The Super Borovets mega project, whose total investment value is estimated at about 350 million euro, demonstrates the intention to compete with big summer resorts regarding the size of investments, the number of hotels and visitors. The project will consist of 5-6 resort villages situated near Samokov, including of two VIP four/five-star hotels with total 1000 beds, sport facilities, ski run on 80 hectares of land.

The authorities of Gabrovo town are looking for investors in ski center construction in the mountain resort Uzana worth Euro 50 million.

Samokov Municipality is planning to build a hotel complex in Rila Mountain. The project estimated at Euro150 million includes four five-star hotels and several family hotels in new resort.

Bulgarian company Ontime Distribution & Logistics Ltd will build a 45-story mixed-use beachfront building in Bourgas where the investment will exceed \$60 million.

The Government has identified the development of thermal spas, ski resorts, marinas, golf resorts, and transportation infrastructure as primary business opportunities to diversify Bulgaria's tourism industry. Bulgaria continues to look at highway construction and airport development to improve access to tourist centers.

## **Resources**

[Return to top](#)

National Hospitality Management Club [www.tourmarketing.org](http://www.tourmarketing.org)

International Tourism Conferences and tourist info [www.bulgariantourism.com](http://www.bulgariantourism.com)

National Tourist Info Center & Tourism Authority [www.bulgariatravel.org](http://www.bulgariatravel.org)

Bulgarian Tourist Chamber [www.btch.org](http://www.btch.org)

Ministry of Economy – tourism sector [www.mi.government.bg](http://www.mi.government.bg)

For more information on market entry strategies contact: [Emily.taneva@mail.doc.gov](mailto:Emily.taneva@mail.doc.gov)

## **Safety and Security/ Defense**

### **Overview**

[Return to top](#)

The safety/security and defense sectors have become a priority for the Bulgarian government with NATO membership since 2004 and signing an EU accession Treaty in April of 2005.

The Bulgarian Ministry of Defense is in the process of modernizing the Bulgarian armed forces, purchasing appropriate equipment, and preparing for interoperability with NATO forces. The modernization of the Bulgarian Armed Forces includes a total of 80 projects, 11 of which are considered a priority. These 11 projects may cost up to 1.5bn dollars in total. The projects have been proposed by the General Staff of the Armed Forces, taking into account a Strategic Defense Review (SDR) report that was approved at a closed-door Council of Ministers meeting in 2005.

The Bulgarian Ministry of Transport is working together with the US Trade and Development Agency on two feasibility study projects aiming at upgrade and improvement of the Bulgarian international airports safety, security and airworthiness.

The Bulgarian Ministry of Interior together with Ministry of Finance, State Agency Customs and Border Police are constantly looking at improvement of the ID documents, border control and monitoring of transit cargo and passengers traffic.

### **Best Products/Services**

[Return to top](#)

Some of the best prospect products and services medium to long term for the Bulgarian Ministry of Defense are western-made multipurpose aircraft, replacement of the army's Russian-made vehicles, building of up to six new warships for the navy, establishment of communication and command centers, modernization of Bulgaria's 20 MiG-29 Soviet-made jet fighters or purchase of western analogues, modernization or replacement of the army's Mi-17 and Mi-24 helicopters with NATO standard aircraft, multipurpose corvette, battle ships, systems for reconnaissance, early warning and monitoring of nuclear, chemical and biological agents.

The best products and services short to medium term for the other Ministries are expected to include X-ray, MR type of equipment, infrared mobile and stationary equipment, on site field testing, laboratory equipment, ID security application equipment, new IT and high tech equipment, programs and related services.

### **Opportunities**

[Return to top](#)

Medium to long term the opportunities for upgrade and modernization of the Bulgarian army are set forth in the SDR report and could be viewed at its web site under Army Modernization Plan file.

Short to medium term opportunities in the safety and security sectors are upgrade and introduction of new protection on the ID documents, supply of new, latest technology border crossings monitoring and control devices, passenger and cargo monitoring and

checking equipment for the new passenger and cargo terminals at Sofia airport, runway safety and security etc.

## Resources

[Return to top](#)

Ministry of Defense - [www.md.government.bg](http://www.md.government.bg)

Ministry of Finance, State Agency Customs – [www.customs.bg](http://www.customs.bg)

Ministry of Interior – [www.mvr.bg](http://www.mvr.bg)

Ministry of Transport – [www.mtc.government.bg](http://www.mtc.government.bg)

For more information on market entry strategies contact: [Uliana.Kanelli@mail.doc.gov](mailto:Uliana.Kanelli@mail.doc.gov)

Good prospects exist for the following agricultural commodities/products:

1. Red meat and edible offal

Bulgaria traditionally does not produce enough beef. Over the last 3 years, local pork supply has been unable to meet demand. The U.S. suppliers have very good opportunities due to favorable local demand. The U.S. currently remains as one of the few "safe" and competitive suppliers of beef and pork to Bulgaria due to FMD outbreak in Latin America. In 2005 (January-October), the U.S. exports were \$2.5 million. In the last three years, the rapid development of the local hotel/restaurant sector as well as the retail food sector have opened up new opportunities for sales of U.S. high quality beef cuts for direct consumption. Pork continues to be imported for processing only as well as beef offal. The U.S. meat suppliers, however, face the challenge of a protective trade regime that favors, via import duties and tariff rate quotas, imports of EU origin meat. See details about red meat market and the livestock industry at FAS Ag Attaché report BU5012 at [www.fas.usda.gov](http://www.fas.usda.gov)

2. Poultry and edible offal

Bulgaria is a net importer of chicken and turkey products and an exporter of waterfowl products. The country does not produce enough chicken meat and does not produce any turkey meat (turkey imports are both for direct consumption and for processing). In 2004, local market size (imports) was estimated at \$40.0 million. The U.S. used to be a number one supplier of frozen chicken cuts in the past. However, with the development of the market towards higher consumption of fresh/chilled chicken meat, and very restrictive trade regime on chicken products; lack of access to import quotas, and trade preferences granted to the EU, the U.S. poultry trade has shifted towards exports of turkey meat. In 2005, U.S. poultry exports reached \$7.2 million or 14% of local turkey market (January-October) and this trend is expected in the future too. Major competitors are Greece, Brazil, and Belgium. Similar to the red meat situation, the U.S. is viewed as one of the few "safe" origins, especially in the context of the avian influenza issue. Obstacles to this market include high import duties for U.S. chicken (between 68 to 74 percent) as well as the duty free import quotas for EU exporters. Given a successful resolution of U.S.-EU trade dispute over poultry trade, U.S. suppliers may have longer-term prospects on the market. More details can be found at FAS Ag Attaché report BU5016, at [www.fas.usda.gov](http://www.fas.usda.gov)

3. Seafood

Bulgaria is a net importer of fish and seafood over the last 5 years. Local market in 2004 is estimated at about \$16.0 million (imports). U.S. exports of seafood to Bulgaria have been steadily increasing to reach \$5.5 million in 2005 (January-October) or ranking second after poultry exports. Prospects on the market are very good due to the lack of any sanitary restrictions and recognized export certification that will continue after Bulgarian accession to the EU. Demand is growing due to rapid development of retail and food service outlets. Consumption has been on upward trend, including higher value products. A good example is trade in 2005 when the trade was shifted to exports

of U.S. salmon (estimated annual trade of about \$1.0 million), including fresh salmon and other high-end seafood products. More details regarding this market can be found at FAS Ag Attaché report BU4001 at [www.fas.usda.gov](http://www.fas.usda.gov)

#### 4. Cotton

Bulgaria produces a very small quantity of cotton, which meets about 10 percent of local needs. The country is a net importer of cotton with imports ranging from \$35 to \$48 million per year. The U.S. does not currently export any cotton to Bulgaria for reasons such as lack of credit facilities, price competitiveness, freight/storage problems and lack of knowledge among local importers/processors about U.S. cotton. The major competitor on this market is Greece (over the last five years) along with Uzbekistan and Egypt. Greek cotton is preferred by local importers mainly due to proximity, which allows them to purchase in small lots, on request, and with easy transportation and storage. Almost all local textile companies are exporting their products to the United States, Canada and the EU market for which they seek higher quality raw materials. The government and the trade are forecasting higher imports of cotton (and textile exports) and increased demand for higher quality cotton, making this commodity a viable opportunity for U.S. suppliers/exporters.

#### 5. Snacks/Cereals

The U.S. faces competition in this market from the EU and Romania. Products exported from those countries are sourced from Western European companies or local joint ventures with U.S. However, EU and Romania benefit from the preferential duties under the EU trade agreements and CEFTA agreement. Bulgaria does not have a local tradition producing high quality and price competitive snacks. Therefore, much of the local consumption is met by imports. In 2005 (January-October), U.S. exports were \$1.5 million. Recently, local production of confectionery products has grown thanks to investment by EU-based companies (the American-owned Kraft Foods and Nestle). They successfully compete with imports. Currently, there are only a few local Bulgarian producers of snack foods but their number has been increasing. Consumption of these products in the last three years have increased due to quickly expanding supermarkets chains, food service outlets and stable/gradually increasing consumer income. Local consumers as high quality and having competitive prices perceive products of U.S. origin.

#### 6. Juices

The total import market of juices is estimated \$9 million (see Ag Attaché report BU3002 at [www.fas.usda.gov](http://www.fas.usda.gov)). Major competitors include Austria, Germany, Poland and Greece who have nearly 50 percent of the market share. These countries compete mainly due to their proximity (i.e. cheaper freight costs) as well as with the lower import duties granted to their suppliers under the EU trade agreements. Local consumption of juices is increasing, especially in the last two years with the development of hotel/restaurant sector. According to the local Association of Juice Producers, local consumption is expected to double in the next three years. U.S. producers can successfully compete with juice concentrates for Bulgarian manufacturers (almost all concentrates are currently imported) as well as with some juices for direct consumption that are of higher quality and can be differentiated from local products. For example, cranberry or another



non-local juices would be popular with Bulgarian consumers, if they were price competitive.

#### 7. Rice

Bulgaria produces an insignificant quantity and relatively low quality rice, which meets only 10-15 percent of domestic needs. Total imports were relatively stable in the range of \$4.0 to \$5.0 million per year (20,000 MT-25,000 MT). The major obstacles for U.S. rice are illegal trade (unrecorded imports at dumping prices) and low price competition by Egyptian, Chinese and Vietnamese suppliers. Local consumption is not expected to increase in tonnage. However, the newly opened food service outlets have demanded a higher diversity and better quality rice. This is a market niche where the U.S. rice can successfully compete with price driven imports from Asia and Egypt. In addition, some local processors have demanded U.S. rough rice for processing which is quality/price competitive on the local market.

#### 8. Soybean Meal

Local production of soybean meal is negligible and meets only 1-2 percent of local consumption. Major competitors in this market are Brazil and Argentina. Local importers are small and their strategy is price-driven which makes it difficult for U.S. soybean meal to compete. However, major commercial livestock operations prefer to use U.S. soybean meal due to its quality, safety, and efficiency. Therefore, the long-term opportunities for U.S. suppliers are very good.

#### 9. Tree nuts

The tree nuts market has quickly developed over last 3 years and the U.S. exports have grown in 2005 (January-October) to \$1.6 million. Demand is good and expanding due to increasing number of food service outlets, tourists and middle and high-income consumers. Prospects to U.S. exporters are very good due to lack of sanitary restrictions, generally favorable trade regime, lack of total production of quality tree nuts, and increasing market size. Currently, total imports are around \$5-\$7 million with prospects to grow to \$10.0 million in the two years. Details can be found at FAS Ag Attaché report BU3004 at [www.fas.usda.gov](http://www.fas.usda.gov)

#### 10. Other products

**Specialty flours:** Bulgarian bakeries have invested in good equipment and are expanding sales of mass produced breads and pastries. A handful of high end, bulk bakers exist in the larger cities. These bakeries have recently begun to import specialty flours from the U.S. either for special products (croissants or health foods) or to blend with local flour for better baking quality. Some bakeries are seeking bulk mixes as well.

**Hides and skins:** Bulgarian leather manufacturers have always imported raw hides and skins. This is a price sensitive market, but due to the lower cost local labor, the market is expected to expand over the next few years.

**Wood:** All types of veneer are in demand by Bulgarian furniture manufacturers. Increasingly, hardwoods such as oak and beech are asked for by the European

companies who produce locally for export to Europe taking advantage of low cost labor and low taxes.

Pet food: This is a small, but growing market. The recent establishment of large retail outlets has led to better marketing of specialty pet foods. In addition, there are a large number of local kiosk and specialized stores that cater to pet owners. Brand names are an important marketing factor.

High-value foods: This category includes salty snacks, corn and potato chips and other processed food products. Several large European retail firms opened outlets in Bulgaria's larger urban areas in 1999. These retail food stores have boosted sales of high-value foods by providing a more efficient (and less expensive) marketing channel for consumers.

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 5: Trade Regulations and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

### Import Tariffs

[Return to top](#)

Bulgaria's Customs Tariff follows the Harmonized Commodity Description and Coding System (HS/1983). Bulgaria's tariff schedules consist of two columns of rates – conventional and autonomous duties. The autonomous rates are applied to the US originated commodities in case their value is lower than the conventional rates. The majority of the applied rates for the import duties are ad valorem.

Tariffs range between 5 percent and 40 percent on industrial products and 5 percent and 70 percent for agricultural products. The average import tariff under MFN (most-favored nation) treatment for industrial goods is 8.62, and the average rate for custom duty is 11.47 percent. A large number of commodity groups, such as energy sources, raw materials, medicines are exempt from customs duties. The customs duties for a specific product can be found in the Customs Tariff at <http://www.en.customs.bg>.

As a consequence to the Association agreement signed with the European Union in March 1993, since January 2002 the customs duties for commodities from EU, EFTA, CEFTA member countries, Macedonia and Turkey are practically abolished for industrial goods and significantly reduced for agricultural goods.

### Tariff Quotas

Several decrees state that certain goods are subject to quotas where the tariff is reduced or waived completely. Tariff quotas for import from the U.S. are determined in accordance with the Bulgaria's engagement to the WTO agreement. In 2006 the goods covered by this import preference are some agricultural, meat and food products. The first imported quantities of the given product within the quota could benefit from the lower customs duties. For more information, please contact the Foreign Agriculture Service at [agsofia@usda.gov](mailto:agsofia@usda.gov) or the Bulgarian Customs Agency [www.customs.bg](http://www.customs.bg).

### Trade Barriers

[Return to top](#)

Bulgaria remains a relatively open market, but certain administrative requirements and processes serve as non-tariff trade barriers. The lack of adequate protection of intellectual property, and the need for greater transparency and predictability in the regulatory environment are common market access issues with U.S. firms. This Chapter and the section on standards describe import requirements that can easily become trade barriers.

## **Import Requirements and Documentation**

[Return to top](#)

Customs valuation is based on the transaction value – the price actually paid or payable for the goods, defined in Bulgarian Leva. The dutiable value consists of the purchase price, transportation costs, insurance charges, commissions, royalties, license fees and all the transportation costs (e.g., loading and unloading). After the calculation of the customs duty, all imports are subject to a 20 percent Value Added Tax (VAT), levied at the time of customs clearance. Some commodities are also subject to excise duties.

Goods are declared by a customs declaration, by a commercial or other document. The customs authorities may carry out post-clearance examination of relevant documents or data. Besides the customs declaration, the other required documents by the customs authorities are an invoice or pro forma invoice, certificate of origin or certificate of the movement of the goods in order to take advantage from preferential customs treatment, transport documents, an insurance policy, specification, packing list. A veterinary or phyto-sanitary certificate is necessary for goods of animal or plant of origin. Customs authorities may require other documents, such as commercial treaty, laboratory analysis. A document issued by the competent State authority is required in case the goods are subject to a specific import procedure or special import regulation is applied (permits, registration).

### **1. Permits (Licenses)**

According to the Decree 233/2001 a permit is required prior to the entry of the following products: nuclear materials, explosives, arms, dual use commodities, plant protection products, pharmaceuticals for human medicine. This is a non-automatic licensing process. Authorization, in the form of an import license, is normally issued within five days of the Ministry's receipt of the application.

Bulgarian Customs exercises control over the export, import, re-export and transit of arms and dual-use goods and technologies. Bulgarian regulations follow the EU list of dual-use goods, which includes goods and technologies in the nuclear weapon, chemical and biological warfare and missile areas. A permit for each transaction (import, export and re-export) and transit with dual-use goods and arms issued by the Commission for Control and Permission for Foreign Transactions in Arms and Dual-use Goods and Technologies of the Ministry of Economy and Energy is required regardless of destination. More information on dual use and arms export control is available from the Military Economic Cooperation & Internationally Controlled Trade Directorate to the Ministry of Economy and Energy, tel. (359) (2) 940-7030.

### **2. Special Import/Export Requirements and Certifications**

Products for human consumption should be analyzed in approved local laboratories in cooperation with local authorities. The State Agency for Standards and Metrology

strictly enforces Bulgarian quality standards, which do not always coincide with generally accepted international standards. Foreign certificates may or may not be considered adequate. After approval is issued, the commodities may be sold on the local market.

## **U.S. Export Controls**

[Return to top](#)

U.S. Exports of Sensitive Technologies to Bulgaria: U.S. exporters should consult the U.S. Department of Commerce Bureau of Industry and Security web site [www.bis.doc.gov](http://www.bis.doc.gov) for specific U.S. export licensing requirements.

## **Temporary Entry**

[Return to top](#)

Products may be imported into Bulgaria on a temporary basis as long as law does not prohibit them. The entry of samples and products for trade exhibitions is allowed. The commodities intended for re-export without being subject to any changes in their characteristics, could be totally or partially exempt from customs duties. In practice, Customs requires a deposit equivalent to the assessed duties or a bank guarantee during the temporary import period. Bulgaria is a party to the Customs Convention on Carnet (ATA) for Temporary Import of Goods.

Apart from the temporary import, the law sets out procedures concerning transit, customs warehousing, inward processing, processing under customs control, and outward processing. The law provides for public and private bonded warehouses.

## **Labeling and Marking Requirements**

[Return to top](#)

Manufacturers should be aware that all labels require metric units although dual labeling is also acceptable. Labels must contain the following information in Bulgarian: quality, quantity, ingredients, certification authorization number (if any), and manner of storage, transport, use or maintenance. The product must be clearly marked with the date of production, expiration date and the warranty period.

According to the new requirements for compliance with EU legislation that will be introduced in 2005, labels must include information on the recyclable content of packaging material.

## **Prohibited and Restricted Imports**

[Return to top](#)

Bulgaria prohibits imports of ozone-depleting products and other internationally banned products.

## **Customs Contact Information**

[Return to top](#)

U.S. companies may direct inquiries to the Bulgarian Customs Agency.

Director: Mr. Assen Assenov  
1, Aksakov Street, 1000 Sofia  
Phone: (359)(2) 9859 4210  
Fax: (359)(2) 9859 4061  
<http://www.customs.bg/>  
email: [pr@customs.bg](mailto:pr@customs.bg)

## Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)

## Overview

[Return to top](#)

The 1964 Law on Standardization and Metrology last amended in 2002, together with the Regulation for Implementation of the Law, sets forth the legal requirements for product standards and quality control in Bulgaria. Bulgaria has its standardization, conformity assessment, accreditation and product certification bodies. In certain areas, such as processed foods, beverages and pharmaceutical products, individual ministries or agencies issue sector-specific standards and certificates. Bulgaria is making an effort to harmonize its national standards with international standards. Bulgaria is a participant in the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and International Technical Union (ITU). Bulgaria is in the process of harmonizing 1,757 of its standards to European standards, in anticipation of joining the EU. The major requirements for product safety are regulated in ordinances issued by the appropriate ministries and will comply with the respective EU directives.

## Standards Organizations

[Return to top](#)

1. Ministry of Economy and Energy through its department Eurointegration ([www.mi.government.bg/integration/eu/harmonize.html](http://www.mi.government.bg/integration/eu/harmonize.html)) is responsible for harmonizing the Bulgarian legislation with the EU legislation including everything related to putting the whole metrology, standardization, certification and testing, verification and accreditation process in compliance with the EU requirements. The web site includes list of all Bulgarian legal documents which have been harmonized with the EU legislation by groups, including: vehicles, food products, chemicals, pharmaceutical products, cosmetic products, legislative metrology and prepackaging, electrical-shock risk and electrical appliances, toys, telecommunication equipment and a group incorporating mechanical appliances, liquid gas appliances, equipment under pressure, construction, leisure sailing vessels, textiles, shoes, crystal glass and lumber. The law on metrology can be reviewed on this web site as well.

2. Bulgarian Drug Agency ([www.bda.bg](http://www.bda.bg)) is the responsible authority for registration, product testing & certification and establishing standards for pharmaceutical products and implants. Ministry of Healthcare ([www.mh.government.bg](http://www.mh.government.bg)) is responsible for certification, registration, import licensing and establishing standards for some medical equipment, medical and natural products. In some cases Ministry of Healthcare performs these activities jointly with the Drug Agency.

3. Ministry of Agriculture and Forestry ([www.mzgar.government.bg](http://www.mzgar.government.bg)) is the authority responsible for agriculture and food products testing & certification, registration of

technical documentation (former national standards BDS) for product certification, assessment of conformity, and establishing the national policy as to MRA's with international standardization institutions. It is responsible for the in-country and border control health and sanitary policy. The Ministry is performing its functions related to standards, certification, verification and conformity assessment through its National Services that are listed on its web site the most important one being the State Agency National Veterinary Service through its Directorate State Veterinary Sanitary Control. The Executive Agency Bulgarian Accreditation Service ([www.nab-bas.bg](http://www.nab-bas.bg)) has accredited a Central Laboratory for Veterinary, Sanitary Expertize and Ecology to perform laboratory testing, inspection, certification, auditing and verification of fito and veterinary products.

4. Bulgarian Institute for Standardization ([www.bds-bg.org](http://www.bds-bg.org)) performs all activities related to standardization, verification, editing and registration of standards for industrial commodities, machinery and transport equipment, construction and materials, chemistry, textiles, foodstuffs, electrical engineering commodities. The Bulgarian Institute for Standardization has signed Mutual Recognition Agreements (MRA's) with the following organizations:

DIN - Deutsches Institut für Normung

BSI - British Standards Institution

UNI - Ente Nazionale Italiano di Unificazione

ASTM International - American Society for Testing and Materials

The Bulgarian Institute for Standardization is a full member of the International Standard Organization (ISO), which is the core international standardization body, and of International Electrotechnical Commission (IEC). The Institute is also an affiliate member of the European Committee for Electrotechnical Standardization (CENELEC) and of the European Committee for Standardization (CEN).

### **Conformity Assessment**

[Return to top](#)

The conformity assessment body is the State Agency for Metrology and Technical Surveillance (SAMTS) [http://www.damtn.government.bg/index\\_en.html](http://www.damtn.government.bg/index_en.html). The Agency is performing fundamental metrology, metrological control, monitoring and supervision; conformity assessment; technical inspection of high-risk equipment; market surveillance and quality control of liquid fuels.

### **Product Certification**

[Return to top](#)

Product certification is performed by the Executive Agency for Certification and Testing <http://exact.e-gov.bg>. The Agency performs testing and certification of electrical appliances, toys, electrical-magnetic compliance, tobacco and tobacco products, chemicals, cosmetics, foodstuffs, sugar and sugar products, dried fruits and vegetables, meat, and processed-meat products through a number of laboratories around Bulgaria. There is a procedure for mutual recognition of international certificates issued by international certification bodies such as TUV and SGS.

### **Accreditation**

[Return to top](#)

There is only one national accreditation body in Bulgaria—the Executive Agency Bulgarian Accreditation Service ([www.nab-bas.bg](http://www.nab-bas.bg)). The Agency reports directly to the

Minister of Economy and is the only national institute for accreditation of laboratories, certification bodies and control bodies. The Agency web site lists all accredited organizations and laboratories nationwide. The accreditation bodies are structured in four main groups: laboratories, inspection bodies, certification bodies, and verifiers according to the Regulation of the National scheme for management of environment and auditing. For more information on each group and its Bulgarian Standard Code (BDS) with EU cross-reference codes (ISO/IEC) please contact Uliana Kanelli at the U.S. Commercial Service - email: [uliana.kanelli@mail.doc.gov](mailto:uliana.kanelli@mail.doc.gov)

## **Publication of Technical Regulations**

[Return to top](#)

Each and every law, regulation, ordinance, Council of Ministers decree, decision, nationwide technical regulation, agreement etc. enters into force after official publishing in the national gazette called State Gazette. Final regulations, ordinances and laws are published in State Gazette and in the official journals of every issuing authority. State Gazette is issued only in Bulgarian. There are several information system database providers, which translate legislation published in State Gazette. See [www.apis.bg](http://www.apis.bg) and [www.ciela.bg](http://www.ciela.bg).

## **Labeling and Marking**

[Return to top](#)

General labeling and marking requirements are described previously in this Chapter under "Labeling and Marking."

## **Trade Agreements**

[Return to top](#)

Bulgaria has signed an Association agreement with the EU and a free trade agreement with EFTA in 1993. Bulgaria has become a member of the World Trade Organization in December 1996 and joined the Central European Free Trade Agreement (CEFTA) in January 1999. Bulgaria has signed and enforced free trade agreements with the following countries: Turkey (1999); Macedonia (signed in 1999); Israel (2002); Albania (2003), Serbia and Montenegro (2004), Bosnia and Herzegovina (2004). Text of the agreements can be found at [www.mi.government.bg/trade/regional](http://www.mi.government.bg/trade/regional). Bulgaria will become a member of the EU in 2007.

## **Web Resources**

[Return to top](#)

<http://www.mee.government.bg/> - (Ministry of Economy and Energy)  
[www.customs.bg](http://www.customs.bg) (State Customs Agency)  
[www.bda.bg](http://www.bda.bg) (Bulgarian Drug Agency)  
[www.mzgar.government.bg](http://www.mzgar.government.bg) (Ministry of Agriculture and Forestry)  
[www.bds-bg.org](http://www.bds-bg.org) (Bulgarian Institute for Standardization)  
[http://www.damtn.government.bg/index\\_en.html](http://www.damtn.government.bg/index_en.html) (State Agency for Metrology and Technical Surveillance - SAMTS)  
<http://exact.e-gov.bg> (Executive Agency for Certification and Testing)  
[www.nab-bas.bg](http://www.nab-bas.bg) (Executive Agency Bulgarian Accreditation Service)  
[www.apis.bg](http://www.apis.bg) (Law publications, law and business information database management)  
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[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)
- [Web Resources](#)

### Openness to Foreign Investment

[Return to top](#)

Bulgaria has a liberal foreign investment regime and attracting foreign investment, especially American, is one of the government's top priorities. The government is focusing on developing promising sectors of the economy for foreign investment, including energy, tourism, information technology, transportation, telecommunications, and agriculture. Bulgaria provides considerable incentives for job creation. Many municipalities are prepared to grant concessions or other favorable treatment for significant investments. Bulgaria has a well-educated workforce, low labor costs, and its geographic position places it at the crossroads of Europe, the Middle East, and the CIS. Bulgaria joined NATO in April 2004 and completed EU accession negotiations in June 2004. The Accession Treaty was signed in April 2005 for Bulgaria's plans to join in 2007.

### Investment Trends and Policies

Continuing economic progress and political stability has enhanced Bulgaria's ability to attract respected international investors. The new precautionary Stand-by Arrangement, negotiated in July 2004 with the IMF, signaled to foreign investors that the Bulgarian government would pursue a responsible economic policy in the run-up to EU membership. In 2004, two leading international rating agencies raised Bulgaria's rating to investment grade, reflecting the country's positive economic prospects and prudent fiscal policies.

The Investment Promotion Act, amended in 2004, stipulates equal treatment of foreign and domestic investors. Bulgaria's newly approved investment promotion framework

creates conditions for improved administrative services and includes an investment incentive package. The law encourages implementation of investment projects over a period of up to three years. The law explicitly recognizes intellectual property and securities as a foreign investment.

#### Common Forms of Investment

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The most common type of organization for foreign investors is a limited liability company. Other typical forms are joint stock companies, joint enterprises, business associations, general and limited partnerships, and sole proprietorships.

The main controlling bodies of law are: the 1991 Commercial Code, which regulates commercial and company law, including the creation and rights of legal entities, and the 1951 Law on Obligations and Contracts, which regulates civil transactions. These laws are deemed generally adequate and neither limits foreign participation in legal entities.

The 2003 Law on Special Purpose Investment Companies allows for public investment companies (SPIC) in real estate and receivables. Since a SPIC is considered a pass-through structure, at least 90 percent of its net income must be distributed to shareholders, who are taxed on the dividends received. Prospective U.S. investors should consult appropriate legal counsel for up-to-date legal information and conduct due diligence before making any obligations.

#### Investment Barriers

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Problems most often encountered by foreign investors in Bulgaria are: government bureaucracy; poor infrastructure; frequent changes in the legal framework; low domestic purchasing power; a protracted privatization process; and corruption. In addition, a weak judicial system limits investor confidence in the courts' ability to enforce ownership and shareholders rights, contracts, and intellectual property rights.

The constitutional prohibition against direct ownership of land by foreign persons remains in force, however, there are no restrictions against acquisition of land by locally registered companies with majority foreign participation. EU accession requirements have led to a draft constitutional amendment, which will allow EU citizens and entities to acquire real property, while all other foreigners will be able to do so only on the basis of an international agreement ratified by the Bulgarian Parliament, thereby favoring EU investors over those from the US.

#### Privatization

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The Privatization Agency (PA) administers the privatization of all state-owned companies. Foreign companies, including state-owned ones, may purchase Bulgarian state-owned firms. The government's stated privatization goals are to establish transparent, quick, and effective privatization procedures, providing for equal treatment of all investors. The program is intended to make the economy more efficient by divesting state-owned enterprises and to cover the current account deficit with privatization revenues.

The successful completion in 2004 of two landmark transactions (the privatization of the Bulgarian Telecommunication Company and a collective of seven electricity distribution

companies) underlines the government's resolve and ability to attract respected foreign investors.

The 2002 Privatization and Post-privatization Act instituted a Post-privatization Control Agency under the authority of the Council of Ministers tasked to oversee the implementation of privatization contracts. This body will attempt to ensure that non-price privatization commitments (employee retention, technology transfer, environmental liability and investment) in the privatization selection criteria, are honored. In addition, creditors are no longer required to claim their receivables within six months from the start of the privatization. While the government maintains that the six-month period had discriminated between creditors, the new policy could endanger the successful development of privatized companies and lead to lower privatization prices. However, no such problems have yet appeared.

### Concessions

Under the 1995 Law on Concessions, the state is authorized, on the basis of a concession agreement, to grant private investors a partial monopoly in activities in thirteen sectors normally reserved for the central and/or local governments. These include the construction of roads, ports and airports, power generation and transmission, mining, petroleum exploration/drilling, telecommunications, forests and parks, beaches, and nuclear installations. The Bulgarian government is currently preparing a new law.

Concessions are awarded on the basis of a tender and are issued for up to 35 years. They can be extended, but shall not exceed 50 years in total. In a new tender, however, the original concession holder can again be granted the concession under certain circumstances. The Concessions Law permits "build-operate-transfer" deals, giving priority for mineral exploitation to the holders of exploration licenses, and reconciles conflicting procedures for privatization and concession. Since 1998, Parliament has passed legislation granting concessions in telecommunications, energy, mining, waters, ports, airports, roads, and railways.

### Conversion and Transfer Policies

[Return to top](#)

In 1999, Bulgaria replaced much of its outdated and fragmented foreign currency legislation and liberalized current international transactions in accordance with IMF Article VIII obligations. Under amendments to the 1999 Foreign Currency Act, approved by Parliament in 2003, anyone may take up to BGN 25,000 or its foreign exchange equivalent out of the country without documentation. However, the export of between BGN 8,000 and BGN 25,000 or its foreign exchange equivalent must be declared at customs. Export of amounts larger than BGN 25,000 must be accompanied by a declaration about the source of these funds and supported by documents certifying that the person does not owe taxes. No tax certificate is required for foreigners exporting the cash equivalent of BGN 25,000 or greater provided the amount is equal to the amount declared (or less) when imported. The import of more than BGN 8,000 or its foreign exchange equivalent must be declared at customs.

The law also stipulates that payments abroad may be executed only through bank transfers. Transfers over BGN 25,000 for current international payments (imports of goods and services, transportation, interest and principal payments, insurance, training,

medical treatment, and other purposes defined in Bulgarian regulations) must be supported by documentation showing the need and purpose of such payments.

## **Expropriation and Compensation**

[Return to top](#)

According to Article 17 of the Bulgarian Constitution, private real property is protected by law. Depending upon the purpose, expropriation actions may be undertaken by the Council of Ministers or the regional Governor, provided that the owner is adequately compensated. Owners must be compensated in kind with nearby property of equal value at current prices. Monetary compensation is also permitted with the consent of the property's owner. Expropriation actions can be appealed directly to the Supreme Court on the basis of the expropriation action, the property appraisal, or the method of compensation. In its Bilateral Investment Treaty (BIT) with the U.S., Bulgaria committed itself to international arbitration in the event of expropriation and other investment disputes.

## **Dispute Settlement**

[Return to top](#)

### **The Judicial System**

Bulgaria's 1991 Constitution serves as the foundation of the legal system and creates an independent judicial branch. In 2002, the Bulgarian Parliament passed a series of amendments to the Judicial Systems Act aimed at improving the quality of the judiciary, increasing the efficacy of the court system, and preventing corruption in the justice system. The Constitutional Court declared most of the amendments unconstitutional in December 2002. As a result, judicial reform in Bulgaria has been delayed and many key issues remain un-addressed.

Further constitutional changes, passed in 2003, limited the immunity of the magistrates, extended the period for getting tenure, and introduced a 5-year term in office for judicial heads. The March 2004 amendments to the Judicial Systems Act were intended to increase further the efficiency of the court system and help prevent judicial corruption. Nonetheless, corruption remains a serious problem.

There are three levels of courts. 117 regional courts exercise jurisdiction over administrative, civil, and criminal cases. Above them, 29 district courts (including the Sofia City Court) have original jurisdiction in civil cases where claims exceed 10,000 Leva, in serious criminal cases, and in other cases as provided by law. The district courts are also courts of appellate review for regional court decisions. The five appellate courts may review the decisions of the district courts. On the highest level are the Supreme Court of Cassation and the Supreme Administrative Court. On issues of law, the Supreme Court of Cassation has appellate jurisdiction over all civil cases involving claims over 5,000 Leva and criminal cases. The Supreme Administrative Court rules on the legality of acts by the Council of Ministers and the ministries. The Supreme Courts hear cases in three-judge panels, whose decisions may be appealed to a five-judge panel of the same court. Decisions by the five-judge panels are final and binding.

The Constitutional Court is not integrated into the rest of the judiciary. It issues final interpretations of the constitution, rules on constitutional challenges to laws and acts,

rules on international agreements prior to Parliamentary ratification, and reviews domestic laws to determine their consistency with international legal norms.

Bulgarian law provides for jurors only in criminal cases. Under Bulgarian procedural law, first-instance civil cases are brought before one judge in the regional or the district court, depending on the case. Administrative sanctions may be appealed to the regional courts and one judge reviews such appeals. Administrative acts are subject to administrative and court appeal.

### Execution of Judgments

To execute judgments, a final ruling must be obtained. The court of first instance must then be petitioned for a writ of execution (based on the judgment). On the basis of the writ of execution, a specialized category of professionals, execution agents, seize the assets or ensure the performance of the ordered action. In practice, Bulgarian and foreign observers caution that the proceedings for the execution of judgments and other enforceable claims under the Code of Civil Procedure remain slow and unpredictable. Also, the civil servants who are currently responsible for carrying out execution are viewed as extremely inefficient. Thus, problems are procedural, as well as systemic. In May 2005, Bulgaria addressed the systemic issues by adopting the Private Execution Agents Act, which created a profession of private of execution agents to parallel the state one. Hopes are that these private professionals will actively seek to protect the creditor's interest. The new profession is expected to become operational in 2006. However at this nascent stage of reform it is unclear whether it will be able to effectively address the current problems. In addition, procedural impediments to execution of judgments still remain to be addressed through amendments to the Code of Civil Procedure.

Foreign judgments can be executed in Bulgaria. Execution depends on reciprocity, as well as bilateral or multilateral agreements, as determined by an official list maintained by the Ministry of Justice. The U.S. does not currently have reciprocity with Bulgaria; so Bulgarian courts are not obliged to honor decisions of U.S. courts. All foreign judgments are handled by the Sofia City Court, which must determine that the judgment does not violate public decrees, standards, or morals before it can be executed. There are also cases defined by the Civil Procedure Code (certain real estate issues and Bulgarian precedents), in which judgments cannot be executed even if they conform to Bulgarian laws and morals.

### Bankruptcy

The 1994 Law on Bankruptcy provides for reorganization or rehabilitation of a legal entity, attempts to maximize asset recovery, and provides for fair and equal distribution among all creditors. The law applies to all commercial entities, except public monopolies or state-owned companies established by a special law. Bank bankruptcies are regulated under the Bank Bankruptcy Act, while the 1996 Insurance Act regulates insurance company failures.

Under Part IV of the Commercial Code, the debtor or creditors can initiate bankruptcy proceedings. The debtor must declare bankruptcy within 15 days of becoming insolvent. Once insolvency is determined, the court appoints an interim trustee to represent and manage the company, take inventory of property and assets, identify and

convene the creditors, and develop a recovery plan. At the first meeting of the creditors a trustee is nominated; usually this is just a reaffirmation of the court appointed trustee.

Non-performance of a money obligation must be adjudicated (*res judicata*) before the bankruptcy court can determine whether the debtor is insolvent. Additionally, amendments passed in 2003 add a presumption of insolvency when the debtor has not performed an obligation within 60 days of maturity or when the debtor can only pay the claims of certain creditors.

Creditors must declare all debts owed to them within one month of the start of bankruptcy proceedings. The trustee then has seven days to compile a list of debts. A rehabilitation plan or a scheme of distribution (in cases of liquidation) must be proposed no later than the date on which the court approves the list of debts. The court must rule on approval of the plan within seven days. The lack of trained trustees has been a problem in the past. The June 2003 amendments provided for examinations for individuals applying to become trustees, but implementation of this requirement is contingent on the adoption by several ministries of a special regulation. The amendments also provide for annual training courses for trustees.

The methods of liquidating assets were also revised by the June 2003 amendments. The main objective was to establish a legal framework for selling assets that accounts for the character of bankruptcy proceedings, thus avoiding the need to apply the Civil Procedure Code. The new regime includes rules requiring a greater degree of publicity for asset sales. The amendments limited the rights to appeal judicial decisions made during bankruptcy proceedings.

### International Arbitration

Pursuant to its Bilateral Investment Treaty (BIT) with the United States, Bulgaria has committed to a range of dispute settlement procedures starting with notification and consultations. Bulgaria accepts binding international arbitration in disputes with foreign investors.

The most experienced arbitration institution in Bulgaria is the Arbitration Court (AC) of the Bulgarian Chamber of Commerce and Industry (BCCI). Established more than 110 years ago, the AC had been competent to hear civil disputes between legal persons at least one of them being seated outside Bulgaria. It began to act as a voluntary arbitration court between natural and/or legal persons domiciled, respectively seated in Bulgaria since 1989.

Arbitration is regulated by the 1988 Law on International Commercial Arbitration, which complies with the United Nations Commission on International Trade Law (UNCITRAL) Model Law. According to the Code of Civil Procedure not all disputes may be resolved through arbitration. Thus, disputes regarding rights over real estates situated in the country or individual labor disputes may only be heard by the courts. Additionally, under the Code of Private International Law of 2005, Bulgarian courts have exclusive competence over industrial property disputes regarding patents issued in Bulgaria.

As regards arbitration clauses selecting a foreign court of arbitration, the Code of Civil Procedure mandates that these clauses would only be admissible if at least one of the parties has its seat or residence abroad. As a result, foreign-owned, Bulgarian-registered

companies having a dispute with a Bulgarian entity can only have arbitration in Bulgaria. However, under the Law on the International Commercial Arbitration, the arbitrator himself could be a foreign person. Under the same act, the parties can agree on the language to be used in the arbitration proceedings. Arbitral awards are enforced through the judicial system. The party must petition the Sofia City Court for a writ of execution. Having obtained a writ however, the creditor needs then to execute the award using the general framework for execution of judgments in the country, which, as discussed above, is rather inefficient. Foreclosure proceedings may also be initiated.

Bulgaria is a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the 1961 European Convention on International Commercial Arbitration. Bulgaria is also a signatory of the International Center for Settlement of Investment Disputes (ICSID) convention and the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States. There is a Court of Arbitration -- an ADR center for domestic business disputes -- at the Bulgarian Industrial Association (BIA).

### Mediation

Businesses wishing to use mediation to solve their disputes in Bulgaria may find it difficult to locate experienced mediators. Mediation as a practice has only recently begun to develop in the country following the adoption of the Mediation Act in the end of 2004. BCCI and the American Chamber of Commerce (AmCham) responded promptly by opening commercial mediation centers. The mediators at these centers have been trained with USAID assistance.

## **Performance Requirements and Incentives**

[Return to top](#)

Bulgaria does not impose export performance or local content requirements as a condition for establishing, maintaining, or increasing an investment. The law does not specifically restrict hiring of expatriate personnel, but residence permits are often difficult to obtain. A June 1999 law regulating gambling imposes license requirements on foreigners organizing games of chance.

The Invest Bulgaria Agency (IBA) ([www.investbg.government.bg](http://www.investbg.government.bg)), the government's coordinating body for investment, provides information services, individual administrative services and assessment of qualification to receive investment incentives. First-class investments (investments over 100 million BGN, about USD 67 million) are deemed to be priority investment projects. At the request of investors receiving first-class investment certificates, IBA can recommend that the competent authorities grant them free real estate (either state or municipal property). For first-class investments, the Council of Ministers may provide state financing for critical infrastructure deemed necessary for the investment plan's implementation. Additionally, IBA represents first and second-class investors (investments of USD 33-67 million) before all central and territorial executive authorities and the local self-government authorities, and processes all administrative documents. Third-class investors (investments of USD 6.7 – 33 million) receive customized information services.

The government policy for promotion of investment is not applicable to banks and other financial institutions, insurance companies, investment companies, companies with



special investment purpose, pension and health insurance companies, gambling companies, or investments made pursuant to the Privatization Law.

In 2003, the GOB introduced tax incentives for investments in regions with high unemployment. VAT exemption on imports for investment projects over 10 million BGN (about USD 6.25 million), to be implemented over a two-year period, was introduced in 2004.

## **Right to Private Ownership and Establishment**

[Return to top](#)

The Constitution (Article 19) states that the Bulgarian economy "shall be based on free economic initiative." Private entities can establish and own business enterprises engaging in any profit-making activities, unless expressly prohibited by law. Bulgaria's Commercial Code guarantees and regulates the free establishment, acquisition, and disposition of private business enterprises. Competitive equality is the standard applied to private enterprises in competition with public enterprises with respect to access to markets, credit, and other business operations, such as licenses and supplies.

## **Protection of Property Rights**

[Return to top](#)

Bulgarian law protects the acquisition and disposition of property rights. In practice, the protection of property rights is subject to difficulties of varying degrees. Although Bulgarian IPR legislation is generally adequate, with modern patent and copyright laws and criminal penalties for copyright infringement, industry representatives believe effective IPR protection requires improvements to the legislation, including to the Penal Code, the Penal Procedure Code and the GOB's Decree on the Border Measures for Protection of IPR. Additionally, the government still lacks sufficient institutional capacity, coordination, and will to address effectively major enforcement problems, especially in combating and prosecuting organized crime groups. Many industrial groups currently have intellectual property disputes before the government.

In May 2004, Bulgaria was placed on the Special 301 Watch List for the first time in five years. There has been a steady resurgence of piracy, mainly in the sale of pirated optical disc media (ODM) over the past few years.

Bulgaria is a member of the World Intellectual Property Organization (WIPO) and a signatory to key international agreements.

### **Copyrights**

The 1993 Law on Copyright and Neighboring Rights protects literary, artistic, and scientific works. Article 3 provides a full listing of protected works including computer programs (which are protected as literary works). The Law distinguishes between moral and economic rights. The use of protected works is prohibited without the author's permission, except in certain instances.

In 2000, the Bulgarian Parliament adopted amendments to the law extending the copyright term of protection from 50 to 70 years after the author's death. The new term of protection is retroactive, i.e., a term of protection that expired at the moment of approval of the amendments is revived within the framework of the 70-year term of

protection. For films and other audio-visual works, copyrights are protected during the lives of director, screenplay-writer, cameraman, or the author of dialogue or music, plus 70 years. Other amendments to the law enable copyright owners to file civil claims to suspend the activities of pirates; provide for confiscation of equipment and pirated materials; enhance border control over pirated material; introduce a new neighboring right for film producers; and, harmonize Bulgarian legislation with the EU Association Agreement.

As required by EU legislation, amendments to the 1993 Law on Copyright and Neighboring Rights address developments in the sphere of communications and information, incorporating the invention of digital technologies and the Internet, and specify the rights and obligations of database producers.

The Council of Ministers has presented a new Draft Law on the Manufacture and Distribution of ODM, which includes proposals by IFPI/BAMP. The long-delayed adoption of this crucial optical disc control legislation has been stalled at the parliamentary level by the ruling coalition, which claims the need to protect “the independence of Bulgarian producers.” Domestic producers complain about the proposed requirement to put SID code on blank discs (in order to track origin), saying this will put Bulgaria at a disadvantage against Taiwanese and other producers.

The Copyright Office of the Ministry of Culture is responsible for copyright matters in Bulgaria. The National Film Center is responsible for enforcing intellectual property rights with regard to films and videos. While civil law provides remedies for violations, under the Penal Code, copyright infringement is only a misdemeanor, subject to nominal fines.

## Patents

The Bulgarian patent law has been harmonized with EU law in the areas of application for European patents and utility models. Bulgaria joined the Convention on the Grant of European Patents (European Patent Convention) in 2002.

Bulgaria grants the right to exclusive use of inventions and utility models for 20 years and 10 years, respectively, from the dates of patent application filings. Inventions eligible for patent protection must be both new as a result of innovation and have industrial applications. Article 6 lists items not considered inventions and utility models are specifically defined.

The independent Patent Office is the competent authority with respect to patent matters. The patent law describes the application procedures and the examination process. Applications are submitted directly to the Patent Office. Compulsory licensing may be ordered under certain conditions: the patent has not been used within four years of filing the patent application or three years from the date of issue; the patent holder is unable to offer justification for not adequately supplying the national market; or, declaration of a national emergency.

Patent infringement is punishable by fines of up to 1,000 BGN. Disputes are reviewed by specialized panels convened by the President of the Patent Office and may be appealed to the Sofia City Court within three months of the panel's decision.

In 1996, Parliament approved the Protection of New Types of Plants and Animal Breeds Act. This Certificate allows for a term of protection of 25 years for annual plants and 30 years for perennial plants and animal breeds, which starts from its date of issuance by the Patent Office. In 1998, Parliament ratified the 1991 International Convention for the Protection of New Varieties of Plants (UPOV).

#### Data Exclusivity

Responding to long-standing industry concerns, the GOB included a provision to provide data exclusivity (protection of confidential data submitted to the government to obtain approval to market pharmaceutical products) in its new Drug Law, which took effect in 2003.

#### Trademarks

In 1999, Parliament passed a series of laws on trademarks and geographical indications, industrial designs and integrated circuits in accordance with TRIPs requirements and the government's EU Association Agreement. The 1999 Trademarks and Geographical Indications Act regulates the establishment, use, cession, suspension, renewal and protection of rights of trademarks, collective and certificate marks, and geographic indications.

Registration is refused, or an existing registered trademark is cancelled, if a trademark constitutes a reproduction or an imitation or if it creates confusion with a well-known trademark, as stipulated by the Paris Convention and the Trademarks and Geographical Indications Act. Applications for registration must be submitted to the Patent Office under specified procedures.

Right of priority, with respect to trademarks that do not differ substantially, is given to the application that was filed in compliance with Article 32 first. Right of priority is also established on the basis of a request made in one of the member countries of the Paris Convention or of the World Trade Organization. To exercise the right of priority, the applicant must file a request within six months of the date of original filing.

A trademark is normally granted within three months of filing a complete application. Refusals can be appealed in the Sofia City Court within three months of notification of the decision. The right of exclusive use of a trademark is granted for ten years from the date of submitting the application. Requests for extension of protection must be filed during the final year of validity, but not less than six months prior to expiration. Protection is terminated if a mark is not used for a five-year period.

Trademark infringement is a problem in Bulgaria for many U.S. manufacturers. Its categorization as a misdemeanor, subject to a nominal fine, is not a sufficient deterrent to illegal activities. While more draconian measures are available, such as confiscation or fines of up to 500,000 BGN, they are rarely levied or enforced.

In Bulgaria, trademark and service-mark rights and rights to geographic indications are only protected pursuant to registration with the Bulgarian Patent Office or an international registration mentioning Bulgaria; they do not arise simply with "use in commerce" of the mark or indication. Under Bulgarian law, legal entities cannot be held criminally liable. Similarly, criminal penalties for copyright infringement and willful

trademark infringement are limited, compared to enforcement mechanisms available under U.S. law.

## **Transparency of Regulatory System**

[Return to top](#)

### **Major Taxation Issues Affecting U.S. Businesses**

Bulgaria and the U.S. have not signed an Avoidance of Double Taxation Treaty (DTT), despite strong interest by the Bulgarian government.

Personal income tax rates increase progressively from 10 to 24 percent. There are four income brackets, with a non-taxable personal monthly income of 130 BGN. The corporate and profit tax rates are 15 percent. Certain tax incentives apply in regions of high unemployment. Individuals and small businesses in certain trades pay a "patent" tax (presumptive tax) according to a schedule established by Parliament. Dividends (and liquidation quotas) distributed by a Bulgarian resident company to U.S. investors are subject to a withholding tax of 15 percent. While Bulgarian residents face a withholding tax of 7 percent, a tax resident in an EU member state is not subject to a withholding tax.

Employers pay 70 percent of the monthly contributions for social security insurance and health insurance and to an unemployment fund, but their share of contributions is slated to decline, in phases, to 50 percent by 2007. Employers must contribute for social security insurance and health insurance: 22.4 percent and 4.2 percent of employees' gross salaries, respectively. Companies also contribute 2.5 percent of the total wage cost to an unemployment fund. Foreign persons are required to have the same insurance and unemployment compensation packages as Bulgarians.

There is a 20 percent single-rate value-added tax (VAT). Legal persons with a taxable income of 75,000 BGN are obliged to register for VAT purposes. VAT registration is voluntary for persons with taxable income of between 50,000 and 75,000 BGN. All goods and services are subject to VAT except exports, international transport, and precious metals supplied to the central bank. VAT payments are generally rebated when goods are resold. The 45-day refund period for exporters was reduced to 30 days in 2005. Excise taxes are levied on tobacco, alcoholic beverages, fuels, certain types of automobiles, gambling equipment, coffee, and tea.

Foreign investors have asserted that widespread tax evasion, combined with the failure of the authorities to enforce collection from large state-owned companies, places them at a disadvantage. Another problem underscored by investors is the frequent revision of tax laws, sometimes without sufficient notice. However, in conjunction with its IMF agreement, the government is strengthening tax collection and limiting tax arrears of state-owned enterprises. Government officials have also indicated their long-term intention to lower marginal rates as tax collection improves.

### **Regulatory Environment**

An abundance of licensing and regulatory regimes, combined with arbitrary interpretation and enforcement by the bureaucracy, and the incentives thus created for corruption, have long been seen as an impediment to investment.

In 2003, Parliament passed the Restriction of Administrative Regulation and Control of Economic Activity Act, which establishes a general and systematized set of rules for simplifying and implementing administrative regulations. The law defines 39 operations that must be licensed and introduces two other simplified regimes, i.e., registration and permit regimes.

From the perspective of regulatory relief, this law is a milestone. It sets forth firm market principles of regulation, such as that regulation at all levels of government must be justified by defined need (in terms of national security, environmental protection, or personal and material rights of citizens) and cannot impose restrictions unnecessary to the stated purposes of the regulation. The law also requires that the regulating authority take account of the compliance costs to be borne by business and that no national level law can be passed without an impact analysis on the law's economic affect on the regulated activity. In addition, the law eliminates bureaucratic discretion in granting applications for routine economic activities and provides for "silent consent" when the government has not acted upon an application in the allotted time. All of these reforms considerably lighten the potential of regulatory abuse at all levels of government and, when implemented, should improve the overall business environment.

### Energy Regulator

The new Energy Law enacted in 2003 established a transparent and predictable regulatory environment in the energy sector where the key regulatory responsibilities are vested with the State Energy Regulatory Commission - a separate body with regulatory authorities, a high degree of autonomy and accountability.

### Competition Policy

The 1998 Law on the Protection of Competition (the "Competition Law") is intended to establish and maintain a competitive market. The Competition Law forbids monopolies, restraining agreements, trade restrictive practices, abuse of a dominant market position, and unfair competition, and seeks to promote consumer protection. A company is deemed to have a dominant position if it controls 35 percent or more of the relevant market. A company with a dominant market position is prohibited from: certain pricing practices; limiting manufacturing development to the detriment of consumers; discriminatory treatment of competing customers; tying contracts to additional and unrelated obligations; and, the use of economic coercion to cause mergers. The Law prohibits five specific forms of unfair competition: damaging competitors' goodwill; misrepresentation with respect to goods or services; misrepresentation with respect to the origin, manufacturer, or other features of goods or services; the use or disclosure of someone else's trade secrets in violation of good faith commercial practices; and, "unfair solicitation of customers" (promotion through gifts and lotteries), which may create difficulties for some foreign enterprises.

The Competition Law was overhauled in 2003, introducing important provisions that expand the competency of the Commission for Protection of Competition (CPC), define the prohibition on misuse of an oligopoly, and impose a single criterion for assessing the significance of planned concentration: the aggregate turnover of the enterprises affected by the concentration.

Since 1997, the Bulgarian Stock Exchange (BSE) has operated under a license from the Securities and Stock Exchange Commission (SSEC). The 1999 Law on Public Offering of Securities regulates issuance of securities, securities transactions, stock exchanges, and investment intermediaries. Comprehensive amendments to this Law (99 in number), which were promulgated in June 2002, establish significant rights for minority shareholders of publicly-owned companies in Bulgaria. In addition, they create an important foundation for the adoption of international best practices corporate governance principles in public companies. As a result, Bulgaria now has one of the best securities laws in Europe.

The infrastructure of the stock exchange has been substantially improved, including the establishment of an official index (SOFIX). New trading instruments (government bonds, corporate bonds, Bulgarian Depositary Receipts, and privatization through the stock exchange, municipal and mortgage-backed bonds, and Bulgarian Depositary Receipts) have been introduced. As a result of appreciation of nearly all of the most actively traded issues on the Bulgarian Stock Exchange, its capitalization increased by 48 percent reaching 4 billion BGN (about USD 2.7 billion) in 2004. Nonetheless, the stock exchange lacks attractive securities and faces low liquidity.

### The Banking System

The Bulgarian banking system has undergone considerable transformation since its virtual collapse in 1996 and continues to mature. There are 35 commercial banks, with total assets of 16.4 billion BGN (about USD 11.3 billion) or 43 percent of the projected 2004 GDP. Approximately 50 percent of bank assets are concentrated in three banks: Bulbank, State Saving Bank (DSK), and United Bulgarian Bank (UBB).

Bulgaria has completed the privatization of its state-owned banks, attracting some strong foreign banks as strategic investors. Foreign investors drawn to the Bulgarian banking industry, include UniCredito Italiano SpA (UCI), BNP PARIBAS, National Bank of Greece, Societe Generale, Bank Austria Creditanstalt, American Life Insurance Company - Consolidated Eurofinance Holdings, Regent Pacific Group, and Citibank.

Bulgaria's banking system is highly capitalized. Reflecting expanded lending in 2003, the average capital adequacy ratio (capital base to risk-weighted credit exposures) for the banking system declined from 43 percent at end-1998 to 22.2 percent, but still remains high relative to the Bulgarian National Bank's requirement of 12 percent. The average actual ratio suggests banks could expand their lending considerably and are not obtaining an optimal return on their invested funds.

### Government Securities

The government finances government expenditures by accessing capital markets. On a weekly basis, the Ministry of Finance holds an auction of Treasury bills. The bills are typically short-term (3-month, 6-month and 1-year maturities). Commercial banks are the primary purchasers of these instruments. Foreign banks can participate in the treasury market only through a Bulgarian bank or the branch of a foreign bank, which is licensed in Bulgaria. The foreign bank transfers the money, which is then converted into leva to make the purchase, which must be registered with the Ministry of Finance. The foreign bank must open a lev account (a "custody account") for transactions. This lev

account cannot be used as a standard deposit bank account. A foreign currency account can be opened, but it is not obligatory.

The Investment Promotion Act defines securities, including treasury bills, with maturities over 6 months as investments. Repatriation of profits is possible after presenting documentation that taxes have been paid.

## **Political Violence**

[Return to top](#)

There have been no incidents in recent years involving politically motivated damage to projects or installations. Rather, violence in Bulgaria is primarily criminally motivated.

## **Corruption**

[Return to top](#)

Corruption is still perceived to be one of the gravest problems in Bulgaria's investment climate, despite the Bulgarian government's numerous advances in laws and legal instruments. Bulgaria ranks 54th among 133 states included in Transparency International's (TI) Corruption Perception Index for 2004, the same as in 2003.

In reality, the established human trafficking, narcotics, and contraband smuggling channels that contribute to corruption in Bulgaria have yet to be broken, and serious efforts and political will are still needed to carry out much-needed reforms to address inefficiencies in the judicial system. The Bulgarian public generally holds the police, the judiciary, customs officials, and political parties in low regard, due to their perceived corruption.

Bribery is a criminal act under Bulgarian law for both the giver and the receiver. Penalties range from one to fifteen years' imprisonment, depending on the circumstances of the case, with confiscation of property added in more serious cases. In very grave cases, the Penal Code specifies prison terms of 10 to 30 years. The 1996 Money Laundering Law also applies to bribes. Bribing a foreign official is a criminal act. There have been trials and convictions of enterprise managers, prosecutors, and law enforcement officials for corruption. While Bulgarian tax legislation does not explicitly prohibit the deduction of bribes in the computation of domestic taxes, deductions connected with bribery and other illegal activities are not allowed under the tax code.

Bulgaria has a 1996 Law for Measures against Money Laundering and in 1998 was one of the first non-OECD nations to ratify the OECD Anti-Bribery Convention. Bulgaria has also ratified the Convention on Laundering, Search, Seizure, and Confiscation of Proceeds of Crime and the Civil Convention on Corruption.

The GOB's recent anti-corruption agenda included the adoption of key international anti-corruption instruments, including:

- signing the UN Convention against Corruption;
- withdrawing the reservations made in 2001 at the ratification of the Criminal Law Convention on Corruption;
- ratifying and signing the Additional Protocol to the Council of Europe's Criminal Law Convention on Corruption; Bulgaria was the second state to ratify this Additional Protocol.

Although the Bulgarian government has achieved some successes in the fight against organized crime and corruption, many observers believe that corruption and political influence in business decision-making continue to be significant problems in Bulgaria's investment climate.

### **Bilateral Investment Agreements**

[Return to top](#)

As of December 2004, Bulgaria has foreign investment promotion and protection treaties or agreements with Albania, Algeria, Argentina, Armenia, Austria, Belarus, Belgium-Luxembourg, China, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Georgia, Germany, Greece, Great Britain and Northern Ireland, Hungary, India, Iran, Israel, Italy, Jordan, Kazakhstan, Kuwait, Lebanon, Macedonia, Malta, Moldova, Mongolia, Morocco, Netherlands, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Syria, Tunisia, Turkey, Ukraine, the United States, Uzbekistan, Vietnam, Yemen, and Yugoslavia.

Bulgaria signed a Bilateral Investment Treaty (BIT) with the United States, which guarantees national treatment for U.S. investments and creates a dispute settlement process. The BIT also includes a side letter on protections for intellectual property rights. The Governments of Bulgaria and the United States exchanged notes in 2003 to make Bulgaria's obligations under the BIT compatible with its EU obligations.

### **OPIC and Other Investment Insurance Programs**

[Return to top](#)

In 1991, the Overseas Private Investment Corporation (OPIC) ([www.opic.gov](http://www.opic.gov)) and the GOB signed an Investment Incentive Agreement, which governs OPIC's operations in Bulgaria. OPIC provides project financing to U.S. investors making long-term investments in emerging markets. OPIC also supports a number of privately owned and managed private equity funds, including a regional fund for Southeast Europe created as part of the U.S. Southeast Europe Initiative.

OPIC provides project financing through direct loans and loan guaranties that provide medium- to long-term financing to ventures involving significant equity and/or management participation by U.S. businesses. OPIC offers American investors insurance against currency inconvertibility, expropriation, and political violence. Political risk insurance is also available from the Multilateral Investment Guarantee Agency (MIGA), which is a World Bank affiliate, as well as from a number of private U.S. companies.

### **Labor**

[Return to top](#)

Bulgaria's workforce officially consists of 3,397,000 highly educated and skilled men (56 percent) and women (44 percent). The literacy rate in Bulgaria is 93 percent. A high percentage of the workforce has completed some form of secondary, technical, or vocational education. Many Bulgarians have strong backgrounds in engineering, medicine, economics, and the sciences, but there is a shortage of professionals with Western management skills. The aptitude of workers and the relative low cost of labor are considerable incentives for foreign companies, especially those that are labor intensive, to invest in Bulgaria. Employer tax obligations and benefits (clothing allowance, bonuses, etc.) can add more than 50 percent to the nominal wage.



Bulgaria's Constitution recognizes workers' right to join trade unions and organize. The National Tripartite Cooperation Council (NTCC) provides a forum for dialogue among government, management, and trade unions, such as cost-of-living adjustments. The current government has substantially revitalized the Council.

Bulgaria has two large legitimate representative trade union confederations, the Confederation of Independent Trade Unions of Bulgaria (CITUB) and Podkrepa ("Support"). The 2004 trade union membership census indicates that CITUB has about 400,000 members and Podkrepa has about 110,000 members. CITUB, the successor to the trade union integrated with the Communist Party, has long since severed its ties to the socialists, whereas Podkrepa is an independent confederation. There are few restrictions on trade union activity and the confederations operate freely, but the workforce in smaller firms and elsewhere in the emerging private sector is often not represented by trade unions. In November 2004, the Bulgarian government recognized Promyana to be Bulgaria's third legitimate representative trade union.

Under the Labor Code, employer and employee relations are regulated by employment contracts, which may be agreed upon through collective bargaining. The Code addresses worker occupational safety and health issues, establishes a minimum wage (determined by the Council of Ministers), and prevents exploitation of workers, including child labor. The Code clearly delineates employer rights, strengthening management's hand in disciplining the workforce. Disputes between labor and management can be referred to the courts, but resolution is often subject to delays.

Over the last couple of years, the Labor Code has been amended to address labor market rigidities and bring labor legislation into compliance with the EU social policy and employment requirements. The amendments to the Labor Code simplify additional work procedures, restrict mandatory leaves, and relax procedures for implementing collective redundancies. However, collective labor contracts at the sectoral or branch level remain binding for all enterprises of the sector or branch. The minimum annual paid leave is 20 days.

Neither foreign companies, nor Bulgarian companies having majority foreign-control are exempt from the requirements of the Labor Code. During 2002-2003, the Ministry of Labor formed the new "National Institute for Conciliation and Arbitration" (NICA), which developed a framework for collective labor dispute mediation and arbitration. NICA includes representatives from labor, employers, and the Government, as does the roster of mediators and arbitrators. Although NICA-sponsored collective labor dispute resolution has not yet started, a number of the appointed mediators received basic mediation skills training from the U.S. Federal Mediation and Conciliation Service.

#### **Foreign-Trade Zones/Free Ports**

[Return to top](#)

The 1999 Customs Act renamed the six duty-free zones "free zones." Foreign, including U.S., individuals and corporations, and Bulgarian companies with 1.0 percent or more foreign ownership may set up operations in a free zone. Thus, foreign-owned firms have equal or better investment opportunities in the zones compared to Bulgarian firms.

There are at present six operational "free zones" in Bulgaria: Ruse and Vidin ports on the Danube; Plovdiv; Svilengrad (near the Turkish border); Dragoman (near the

Yugoslav border); and, Burgas port on the Black Sea. They are all owned by joint stock or state-owned companies. The government provided land and infrastructure for each zone.

- Plovdiv, the only inland free zone, is the most profitable, with 24 investment projects.
- The Burgas FTZ has the largest warehousing and automotive distribution facilities in Bulgaria and is used by more than 100 foreign and joint venture companies including Samsung.
- Limited manufacturing is conducted in both the Plovdiv and Ruse FTZs.

All forms of production and trade activities and services may take place in the free zones. Foreign goods delivered to the free zones for production, storage, processing, or re-export are VAT and duty exempt. Bulgarian goods may also be stored in free zones with permission from the customs authorities. Convertible foreign currency may be used and revenues can be transferred abroad freely without any restrictions. Administrative procedures relieve the investor from needing to contact local authorities directly. Production and labor costs are low, with well-trained and highly qualified labor available. All the zones are located on strategic trade rail, road, and/or water trade routes.

The free trade zones in Bulgaria have attracted a number of foreign investors, including Hyundai, KIA Motors, Schwartskopf, Henkel, Landmark Chemicals Ltd., Group Schneider, and BINDL Energic Systeme GmbH.

#### **Foreign Direct Investment Statistics**

[Return to top](#)

Between 1992 and Sept. 2004, total cumulative foreign direct investment (FDI) into Bulgaria amounted to approximately USD 8.307 billion (about 33 percent of estimated 2004 GDP). FDI inflows in 2004 are expected to top USD 2.5 billion. Bulgaria's direct investment abroad was USD 25 million in the period of January through October 2004.

FDI by Year (millions of U.S. dollars)

1992	34.4
1993	102.4
1994	210.9
1995	162.6
1996	256.4
1997	636.2
1998	620.0
1999	818.8
2000	1,001.5
2001	812.9
2002	904.7
2003	1,419.4
2004	1,326.5 (Jan-Sept)
Total	8,306.7

(Source: Invest Bulgaria Agency)

FDI by Country of Origin 1992-2004 (millions of USD)

Greece	1,167.6
Austria	1,143.1

Netherlands	708.9
Germany	701.3
Italy	677.8
Belgium	493.6
Hungary	465.0
USA *	404.0
Switzerland	350.6
Cyprus	349.4
U.K.	305.8
Russia	214.2
Turkey	165.3
France	153.8
Spain	122.8
Czech Republic	73.3
Sweden	67.9
Denmark	60.4
Ireland	27.6
Israel	26.4
Japan	25.8
Slovenia	23.3
Canada	18.4
Liechtenstein	17.8
Lebanon	15.8
Malta	13.8
Korea	6.5

(Source: Invest Bulgaria Agency)

\* Official GOB investment statistics rank the U.S. as 8th in terms of overall investment in Bulgaria for the period 1992-2004. While the Central Bank credits the U.S. with investments at the rate of \$40-\$50 million per year in the last seven years, this data is distorted as many US investors establish European subsidiaries to manage their investments in Bulgaria. For example, in 2004 Austria is ranked as the largest investor country due to Delaware-based Advent International using its Viva Ventures subsidiary to buy 65% of former state-owned telecommunications company BTC. Also, there are two major investments in Bulgaria by US-based agricultural firms for oil, sweeteners and starches and sunflower oil crushing operations valued at \$50-60 million, which are described as Belgian and Swiss investments.

#### FDI by Sector 1992-2004 (millions of USD)

Industry	1,808.9
Finance	1,468.1
Trade	1,280.7
Communications	1,071.1
Real Estate	339.1
Tourism	146.9
Construction	121.4
Electricity, Gas and Steam	118.9
Transport	44.1
Mining	35.7
Agriculture	17.2

(Source: Invest Bulgaria Agency)

U.S. Investment in Bulgaria Greater than USD 1,000,000  
(Investor, Sector, Bulgarian Firm, millions USD)

- Advent International (through Viva Ventures Austria), telecommunications, BTC, 342
  - Entergy Power Group, electric power, Maritsa East III, 207
  - American Standard, manufacturing, Ideal Standard, Vidima AD, 147
  - Bulgarian American Enterprise Fund, finance, Bulgarian American Credit Bank, 71
  - Alico, banking, Bulgarian Post Bank, 55
  - Kraft Foods International, food industry, Kraft Foods Bulgaria, 36
  - Coca Cola (through Softbul Investments, Cyprus), beverages, Coca Cola Hellenic Bottling, 35
  - Socotab, tobacco processing, Socotab Bulgaria, 32
  - McDonald's, food industry, McDonald's Bulgaria, 23
  - World Trade Company, hotel industry, USA/Gort Securities UK, Radisson Hotel, 17.7
  - Soros Funds, cable TV, Eurocom Cable TV, 15.1
  - Seaboard Overseas, wine, Vinprom Ruse, 15
  - News Inc., television, bTV, 12
  - Michigan Magnetics Inc., electronics, Magnetic Head Technologies, 6.1
  - Marsdale Int'l LLC, lubricants, Prista Oil, 5.5
  - DTS, trade, Superabraziv, 5.3
  - Interinvestments Corp., trade, Buhal, 5
  - Eurotech, industry, Pirinska Moura, 4.9
  - Small Enterprise Assistance Fund (SEAF), finance, Caresbac / TransBalkan Bulgaria Fund, 4.8
  - Osteotech, biotechnology, OsteoCentre Bulgaria, 3
  - Jovanda International Ltd. Delaware, hotel industry, Duni Hotel, 2.7
  - AIG Group Inc, insurance, AIG Bulgaria, 2.5
  - Rila Holding, software development/trade, Rila Solutions/Rila Software Corporation, 2.4
  - IBM World Trade Corp., trade, IBM Bulgarian, 1.6
  - Dunkin Donuts, food industry, Samex, 1.7
  - American Life Insurance, insurance, AIG Life Bulgaria, 1.3
- (Source: Invest Bulgaria Agency)

Selected 2004 Foreign Direct Investments  
(Investor, Country, Sector, Bulgarian Firm, USD millions)

- CEZ, Czech Republic, energy, West electricity distribution, 366
  - OTP, Hungary, finance, DSK Bank, 363.7
  - EVN, Austria, energy, Southeast electricity distribution, 352
  - E.ON, Germany, energy, Northeast electricity distribution, 183
  - OTE, Greece, telecommunications, Cosmo Bulgaria Mobile, 173.9
  - Sisecam, Turkey, glass industry, Greenfield glass plant, 160
  - Miroglio, Italy, textile, Miroglio Bulgaria, 50.2
  - Umicore, Belgium, metals, Umicore Med, 48.1
- (Source: Invest Bulgaria Agency)

[www.usembassy.bg](http://www.usembassy.bg)  
[www.investbg.government.bg](http://www.investbg.government.bg) (Invest Bulgaria Agency)  
[www.opic.gov](http://www.opic.gov)  
[www.exim.gov](http://www.exim.gov)  
[www.ustda.gov](http://www.ustda.gov)

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

### How Do I Get Paid (Methods of Payment)

[Return to top](#)

There are a number of methods used to settle payment in Bulgaria: cash in advance, letter of credit used in conjunction with a documentary draft (time or sight), promissory note, documentary collection or draft, open account and consignment sales. As with U.S. domestic transactions, a major factor determining the method of payment is the degree of trust in the buyer's ability and willingness to pay.

Because of the protection it offers to the American exporter and the Bulgarian importer, an irrevocable letter of credit (L/C) payable at sight is commonly used for settlement of international payments.

Another payment option is the use of documentary collection or open account with international credit insurance, which, unlike the letter of credit, allows the importer's line of credit to remain open. At the same time, this option protects the exporter if the buyer goes bankrupt or cannot pay.

### How Does the Banking System Operate

[Return to top](#)

Although Bulgaria is predominantly a cash economy, the use of debit and credit cards is increasing. Development of services for consumers, such as debit cards, started within the last couple of years, while personal checks are almost unknown and unused as a method of payment for locals. However, payment by debit cards is accepted in some of the retail chain of shops and gas stations and is gaining increasing popularity. Checks and credit cards are used mainly by foreigners.

The Bulgarian National Bank (BNB) operates independently of the government and reports directly to Parliament. The BNB regulates the banking system, but, under the Currency Board Arrangement, has no discretion in setting monetary or exchange rate policy.

There are 34 commercial banks in Bulgaria; twenty-eight are fully licensed and authorized to engage in international transactions and six are branches of foreign banks in Bulgaria. Foreigners hold approximately 73% of the total banking capital. Citibank is the only U.S. bank with an office in Bulgaria.

### Foreign-Exchange Controls

[Return to top](#)

International financial remittances in payment of imports into Bulgaria are generally allowed. Only bank transfer permits the export of hard currency by commercial entities, including juridical persons and sole traders. Transfers for current international payments (imports of goods and services, transportation, interest and principal payments, insurance, training, medical treatment and other purposes defined in Bulgarian regulations) must be supported by documentation such as invoices, certificates, or transport documents, to the transferring bank.

## **U.S. Banks and Local Correspondent Banks**

[Return to top](#)

Contact information for all Bulgarian banks may be found on the Bulgarian National Bank <http://www.bnb.bg> web site. Some Bulgarian banks may have 100 or more U.S. correspondent banks, and some U.S. banks may have correspondent relations with more than one Bulgarian bank. As banking relationships can change quickly, the best source of current information on correspondent banking arrangements is the banks themselves.

The main U.S. financial institutions in Bulgaria include Citibank, Bulgarian-American Enterprise Fund, Bulgarian-American Credit Bank, Caresbac, Southeast Europe Equity Fund and AIG/American Life Insurance Company.

The EBRD and the World Bank have offices in Bulgaria.

## **Project Financing**

[Return to top](#)

Depending on the source of financing, trade and investment projects receiving financing support range from the export of nuclear reactor control equipment to the establishment of a bakery, a yogurt factory, and an ice-cream distributorship. Financing is also available to strengthen banks, and for infrastructure projects such as reconstruction of electrical generating stations, waterworks and roads.

### **1. U.S.-based Availability of financing**

#### **a. U.S. Export-Import Bank**

The U.S. Export-Import Bank (Eximbank) is a source of export financing and insurance for U.S. transactions in Bulgaria. Eximbank will guarantee a commercial bank loan up to 85 percent of the value of the contract. Eximbank will also accept guarantees from the larger municipalities.

#### **b. Small Business Administration**

The Small Business Administration (SBA) provides financial and business development assistance to encourage and help small U.S. companies in developing export markets. Export loans are available under SBA's guarantee program.

#### **c. Overseas Private Investment Corporation**

OPIC's key programs are its loan guarantees, direct loans, and political risk insurance. OPIC's main involvement in Bulgaria is the Sofia-based Southeast Europe Equity Fund (SEEF), a \$150 million equity fund established together with George Soros, for investment in the region.

d. The U.S. Trade and Development Agency

The Trade and Development Agency (TDA) promotes U.S. exports for major development projects. TDA funds feasibility studies, consulting contracts, training programs, and other project planning services related to U.S. exports, as well as grants for pilot procurements of U.S. machinery or equipment. Contracts funded by TDA grants must be awarded to U.S. companies. U.S. involvement in project planning helps position potential U.S. suppliers at the project implementation stage. TDA has been active in Bulgaria with projects in energy, environment, transport, air traffic control, and telecommunications.

e. The Bulgarian-American Enterprise Fund

The Bulgarian-American Enterprise Fund (BAEF) is a \$57 million bilateral assistance fund funded by the U.S. Congress to promote the development of the Bulgarian private sector and to promote joint ventures between small and medium-sized Bulgarian firms and Western companies. The Fund's programs include loans and equity investments to companies in Bulgaria. BAEF has an office in Sofia.

f. The Bulgarian-American Credit Bank (BACB)

The Bulgarian-American Credit Bank, fully owned by BAEF, extends investment credits for private companies which range from \$100,000 to \$4 million. BACB also provides mortgage loans to individuals for the purchase of homes and consumer credit. These loans range from \$5,000 to \$250,000 and are up to 20-year term. BACB has offices in Sofia, Plovdiv, Varna and Bourgas.

2. Financing from International Financial Institutions

Financing of U.S. investment projects in Bulgaria is available from the EBRD, World Bank, and several other U.S.-based and other organizations. Participation of a multilateral bank such as the EBRD in a project also assists exporters through the requirement of open competitive tendering procedures which enables U.S. suppliers to bid, as well as helps the procuring entity to get the best value for its money.

a. European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD), whose largest shareholder is the U.S. Government, has a number of programs available to U.S. investors. The Bank makes loans as well as takes equity stakes in infrastructure projects. It will be increasingly focusing on private-sector development in Bulgaria. It also mandates open competitive tenders in procurements, which give U.S. companies opportunities to supply goods and services. The EBRD has an office in Sofia. The EBRD has also started an investment fund that will invest in small- and medium-sized businesses in the Balkan region.

b. International Bank for Reconstruction and Development (World Bank)

While the International Bank for Reconstruction and Development (World Bank) does not give loans for private-sector investments, its procurement procedures enable U.S. exporters to bid on public procurement contracts. To date, approved projects are in the energy, telecommunications, residential heating, railways, health, environmental and public administration sectors. The World Bank has an office in Sofia.

c. European Investment Bank



The European Investment Bank (EIB) is the most important source of EU project financing for U.S. companies, as they can participate in most tenders involving EIB loans of its own resources. Trans-European Network (TEN) energy, telecommunications and transport sectors are priorities for the EIB. Loans for Bulgaria include ECU 60 for construction of a new passenger terminal and apron at Sofia Airport.

d. Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) is part of the World Bank Group. Its purpose is to encourage foreign investment in developing countries by providing investment guarantees (political risk insurance) against the risk of currency transfer, expropriation, war, civil disturbance and breach of contract by the host government.

f. PHARE Program/ISPA

The European Union's PHARE Program delivers financial and technical assistance in key sectors of the beneficiary governments' efforts to restructure their economies toward a market-oriented system, and contributes to creating the administrative, regulatory, financial and commercial framework. The European ISPA funds are grants to help bring Bulgaria's infrastructure up to European levels as part of the European Union accession process. Some American companies may qualify for PHARE- and ISPA-funded contracts if they have subsidiaries in Europe that qualify as European companies pursuant to EU definitions.

**Web Resources**

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

Citibank: <http://citibank.bg>

European Bank for Reconstruction and Development: [www.ebrd.bg](http://www.ebrd.bg)

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

### Business Customs

[Return to top](#)

Bulgarians are less formal than Western Europeans from dress to the manner of their business contacts. Meetings, including lunches or dinners, are used as an opportunity to get acquainted and as a basis for developing a relationship of trust. Companies use stand-up evening receptions at hotels, restaurants, trade shows, and even museums and auto showrooms for public relations and to solidify business relationships. Businesspeople may go without a jacket or tie or wear casual clothes in summer.

One charming but confusing custom is that head movements indicating agreement or disagreement are reversed in Bulgaria. The rocking of the head from left-to-right, often with a slight smile, means "yes" while nodding up-and-down indicates "no." But with foreign language fluency growing, some Bulgarians will use head movements in typical western fashion. Therefore, it is best to clarify the situation by obtaining a verbal response.

### Travel Advisory

[Return to top](#)

Bulgarian law requires that travelers entering Bulgaria with more than 8000 Bulgarian leva or the equivalent in foreign currency (around \$5,300) or travelers checks declare the money/checks upon arrival to customs officials. Travelers entering Bulgaria at Sofia Airport and carrying currency in excess of the above amount should use the red "Something to Declare" line and not the green "Nothing to Declare" line, even if specifically invited into the green line by a customs official.

Travelers who attempt to leave the country with the equivalent of 25,000 Bulgarian Leva or more must complete a customs declaration on which they must state the origin of the money, and present a certificate from the Bulgarian regional internal revenue service proving they do not owe taxes, unless the sum is less than the amount originally reported when initially brought into the country. Please contact the Embassy of Bulgaria in Washington, D.C. or one of Bulgaria's consulates in the United States for specific information regarding customs regulations.

American citizens visiting Bulgaria are encouraged to register at the Consular Section of the U.S. Embassy in Bulgaria and obtain updated information on travel and security within Bulgaria. The Embassy's web site address is <http://www.usembassy.bg/>

Visitors should exchange cash or travelers checks at banks or exchange bureaus. Some exchange bureaus charge commissions on both cash and travelers check transactions, which may be high or not clearly posted. Damaged or very worn U.S. dollar bank notes are often not accepted at banks or exchange bureaus. Major hotels accept credit cards, but most shops and restaurants do not. ATM cash machines are increasing in numbers in Sofia and other major cities, but bankcards, debit cards and credit cards should be used with caution due to the potential for fraud or other criminal activity.

For the latest travel and security information, Americans traveling abroad should regularly monitor the Department's Internet web site at <http://travel.state.gov>. Up-to-date information on security can also be obtained by calling 1-888-407-4747 toll free in the United States, or, for callers outside the United States and Canada, a regular toll line at 1-317-472-2328. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays).

#### **Visa Requirements**

[Return to top](#)

A United States passport is required for U.S. citizens who are not also Bulgarian nationals. Bulgarian immigration authorities ask all foreigners to declare the purpose of their visit at the border or upon arrival and to provide their intended address. U.S. citizens who enter the country on regular passports without a Bulgarian visa are authorized to stay for a total of 30 days within a six-month period. An application to extend one's stay for up to two months from the original 30 days can be filed, but must be submitted to regional police authorities no later than ten days prior to the end of the original thirty-day period. Travelers, who intend to stay more than 30 days, or travelers using official or diplomatic passports, must secure a Bulgarian visa from a Bulgarian Embassy or Consulate prior to arrival. For further information concerning entry requirements, travelers should contact the Embassy of the Republic of Bulgaria at 1621 22nd St. N.W., Washington, D.C. 20008; <http://www.bulgaria-embassy.org>; tel. (202) 483-5885 (main switchboard (202) 387-7969, or the Bulgarian Consulate in New York City.

U.S. Companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance if required. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas: <http://www.unitedstatesvisas.gov/>

**U.S. Embassy, Sofia, Bulgaria:** <http://sofia.usembassy.gov/> **Telecommunications**

[Return to top](#)

BTC has installed much of central Sofia with digitally switched telephone lines allowing direct-dial international calls to the rest of Europe and the United States from hotels, offices and residences. AT&T, MCI and Sprint all have access numbers in Bulgaria for

credit card and collect calls. In some parts of the country, telephoning can be difficult, as many rural areas still have only old analog switches.

## **Transportation**

[Return to top](#)

Sofia is served by major European airlines including Air France, Alitalia, Austrian Airlines, British Airways, Czech Airlines, Lauda Air, LOT, Lufthansa, MALEV, Olympic, and Turkish Airlines. Bulgaria Air, the national carrier, is also operating international flights as well as domestic service between Sofia and Varna and Burgas. Hemus Air flies to short-range domestic and regional destinations. Car, bus or train may reach destinations to other parts of the country. Car rental from Hertz, Avis and Budget is also available.

Sofia has a comprehensive bus, tram and trolley system. Tickets cost BGN 0.50 and can be purchased in newspaper kiosks or special ticket stands. Large baggage also needs a ticket. Daily, five-day, and monthly cards are also available. Passengers are on the "honor system" and expected to validate their own tickets after boarding. Occasionally, plainclothes inspectors make spot checks, imposing BGN 5.00 fines on those traveling without tickets. Sofia's subway reaches from the suburb of Lyulin to the center of the city, but it is of yet of little use to the business traveler.

Taxis are more than affordable. It is advisable to call ahead to a reputable taxi company for radio dispatch for personal security as well as to avoid overcharges.

## **Language**

[Return to top](#)

Bulgarian is a Slavic language that uses the Cyrillic alphabet. In business, the usage of English is increasing. Nearly all Bulgarians have some level of Russian language comprehension. German and French are also widely spoken.

## **Health**

[Return to top](#)

All foreign citizens traveling to Bulgaria may be asked to present valid evidence of health insurance to the Bulgarian border authorities in order to be admitted into the country. The insurance should be valid for the duration of the traveler's stay in Bulgaria. The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and if it will cover emergency expenses such as a medical evacuation. U.S. medical insurance plans seldom cover health costs incurred outside the United States unless supplemental coverage is purchased. Further, U.S. Medicare and Medicaid programs do not provide payment for medical services outside the United States. However, many travel agents and private companies offer insurance plans that will cover health care expenses incurred overseas, including emergency services such as medical evacuations. When making a decision regarding health insurance, Americans should consider that many foreign doctors and hospitals require payment in cash prior to providing service and that a medical evacuation to the United States may cost more than 50,000 U.S. Dollars. Uninsured travelers who require medical care overseas often face extreme difficulties, whereas travelers who have purchased overseas medical insurance have found it to be life saving when a medical emergency has occurred. When consulting with your insurer

prior to your trip, please ascertain whether payment will be made to the overseas healthcare provider or if you will be reimbursed later for expenses that you incur.

### **Local Time, Business Hours, and Holidays**

[Return to top](#)

Local Time is EST plus 7 hours.

Holidays in Bulgaria include:

January 1	New Year's Day
March 3	National Day
May 1	Labor day
May 1	Orthodox Easter Sunday
May 2	Orthodox Easter Monday
May 6	St. George's Day, Day of Valor and the Bulgarian Army
May 24	Saints Cyril and Methodius Day
September 6	Unification Day
September 22	Independence Day
December 24	Christmas Eve
December 25	Christmas

### **Work Week**

Bulgarians work a 40-hour week with businesses opening between 8:30 and 9:00 a.m. Monday through Friday. During the summer months, scheduling meetings late on Fridays may be difficult, as workers tend to leave early for weekend getaways. As in the rest of Europe, business activity slows considerably during the latter part of July and most of August when many Bulgarians take their extended summer holidays.

### **Temporary Entry of Materials and Personal Belongings**

[Return to top](#)

Personal items brought in temporarily by travelers such as laptop computers, software, and exhibition materials should be declared upon arrival. Travelers should declare jewelry, cameras, and other valuables upon arrival in order to avoid difficulties when departing. The declaration form should be presented to Customs upon departure.

### **Web Resources**

[Return to top](#)

Business travelers to Bulgaria seeking appointment with U.S. Embassy Sofia officials should contact the Commercial Section in advance of departure from the United States. The Commercial Section can be reached by telephone at (359) (2) 937-5100 and fax at (359) (2) 937-5320; or e-mail at [sofia.office.box@mail.doc.gov](mailto:sofia.office.box@mail.doc.gov). Detailed information on the U.S. Commercial Service Sofia's services and programs is available at: [www.buyusa.gov/bulgaria](http://www.buyusa.gov/bulgaria) and [www.export.gov](http://www.export.gov).

[Return to table of contents](#)

## Chapter 9: Contacts, Market Research, and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

### Contacts

[Return to top](#)

#### U.S. Government Contacts

U.S. Embassy - Sofia	<a href="http://sofia.usembassy.gov/">http://sofia.usembassy.gov/</a>
U.S. Department of State	<a href="http://www.state.gov">http://www.state.gov</a>
U.S. Department of Commerce	<a href="http://www.export.gov">http://www.export.gov</a>
U.S. Department of Agriculture	<a href="http://www.usda.gov">http://www.usda.gov</a>
U.S. Agency for International Development	<a href="http://www.usaid.gov">http://www.usaid.gov</a>
U.S. Export-Import Bank	<a href="http://www.exim.gov">http://www.exim.gov</a>
Overseas Private Investment Corporation	<a href="http://www.opic.gov">http://www.opic.gov</a>
U.S. Trade and Development Agency	<a href="http://www.tda.gov">http://www.tda.gov</a>

#### Trade and Industry Associations

##### American Chamber of Commerce in Bulgaria

President: Ken Lefkowitz  
Executive Director: Valentin Georgiev  
Business Park Sofia  
Building 2, floor 6  
Mladost 4 Area  
1715 Sofia  
Phone: (359)(2) 976-9565, 976-9566 Fax: (359)(2) 976-9569  
E-mail: [amcham@amcham.bg](mailto:amcham@amcham.bg) Website: <http://www.amcham.bg>

##### Bulgarian Chamber of Commerce and Industry

President: Mr. Bozhidar Bozhinov  
42, Parchevich Street  
1000 Sofia  
Phone: (359)(2) 987-3629; 987-2631/35 Fax: (359)(2) 987-32-09  
U.S. Desk Officer: Ms. Mariana Tancheva  
E-mail: [bccci@bccci.bg](mailto:bcci@bccci.bg) Website: <http://www.bccci.bg/>

##### Bulgarian International Business Association

Executive Director: Ms. Adriana Sukova-Tosheva  
55, Alexander Stamboliiski Boulevard  
1000 Sofia  
Phone: (359) (2) 988-6776, 981-9169 Fax: (359) (2) 981-9564  
E-mail: [office@biba.bg](mailto:office@biba.bg) Website: <http://www.biba.bg/>

##### Bulgarian Industrial Association

Chairman: Mr. Bozhidar Danev  
Director, International: Branimir Handjiev

16-20, Alabin Street  
1000 Sofia  
Phone: (359)(2) 932-0911, 932-0914, 932-0922 Fax: (359)(2) 987-2604  
E-mail: [office@bia-bg.com](mailto:office@bia-bg.com); Website: <http://www.bia-bg.com/>

Bulgarian Building and Construction Chamber  
Mr. Simeon Pashov, Chairman  
Ms. Vanya Shopova, Chief of Secretariat  
23, Chumerna Street  
1202 Sofia  
Phone: (359)(2) 988-9585, 988-9355 Fax: (359)(2) 988-6880, 9886881  
E-mail: [office@bbcc-bg.org](mailto:office@bbcc-bg.org) Website: <http://www.bbcc-bg.org/>

Bulgarian Association for Information Technologies  
Mr. Zlatko Zlatkov, Chairman  
Mr. Georgi Balanski, Deputy Chairman  
7 Mizia Street  
1000 Sofia  
Phone: (359)(2) 946 1513 Fax: (359) (2) 946-1451  
E-mail: [bait@bait.bg](mailto:bait@bait.bg), [bait@spnet.net](mailto:bait@spnet.net) Website: <http://www.bait.bg/>

#### Bulgarian Government Contacts

Bulgarian Embassy in Washington, DC <http://www.bulgaria-embassy.org/>  
Bulgarian Government <http://www.government.bg/>

#### General information

<http://www.dir.bg/> , [http://novini.dir.bg/news/en\\_index.php](http://novini.dir.bg/news/en_index.php)

InvestBulgaria Agency  
President: Mr. Pavel Ezekiev  
31, Aksakov Street  
1000 Sofia  
Phone: (359)(2) 980-0918, 985-5505 Fax: (359)(2) 980-1320  
E-mail: [fia@bfia.org](mailto:fia@bfia.org)  
Website: <http://investbg.government.bg/>

Privatisation Agency  
Executive Director: Mr. Todor Nikolov  
29, Aksakov Street  
1000 Sofia  
Phone: (359)(2) 987-7579; 987-3249 Fax: (359)(2) 981-6201, 981-1307  
E-mail: [press@priv.government.bg](mailto:press@priv.government.bg)  
Website: <http://www.priv.government.bg/>

Communications Regulation Commission  
Chairman: Mr. George Alexandrov  
6, Gurko St.  
1000 Sofia

Phone: (359)(2) 949-2335 Fax: (359)(2) 987-0695  
E-mail: [info@crc.bg](mailto:info@crc.bg)  
Website: <http://www.crc.bg/>

**Bulgarian Institute for Standardization**

Chairman: Mr. Ivelin Burov  
3-A, 165 Str., j.k. Izgrev  
1797 Sofia  
Phone: (359)(2) 81 74 523 Fax: (359)(2) 873 55 97  
E-mail: [standards@bds-bg.org](mailto:standards@bds-bg.org)  
Website: <http://www.bds-bg.org/>

**National Customs Agency**

Director: Mr. Assen Assenov  
47, G.S. Rakovski Street  
1000 Sofia  
Phone: (359)(2) 9859-4210, 9859-4213 Fax: (359)(2) 980-4061  
E-mail: [pr@customs.bg](mailto:pr@customs.bg)  
Website: <http://www.customs.bg/>

**Patent and Trademark Office**

Director: Mr. Kostadin Manev  
52-B G. M. Dimitrov Street  
1040 Sofia  
Phone: (359)(2) 873 51 71 Fax: (359)(2) 873-52 58  
E-mail: [bpo@bpo.bg](mailto:bpo@bpo.bg)  
Website: <http://www.bpo.bg/>

**International Financial Institutions**

**European Bank for Reconstruction and Development**

Mr. John Chomel-Doe, Director, Bulgaria  
Sofia Resident Office  
17, Moskovska Street  
1000 Sofia  
Phone: (359)(2) 932-1414 Fax: (359)(2) 932-1441  
E-mail: [sofiaro@ebrd.com](mailto:sofiaro@ebrd.com)  
Website: <http://www.ebrd.com/>

**European Investment Bank**

100, Boulevard Konrad Adenauer  
L-2950 Luxembourg  
Phone: (352) 4379-3122 Fax: (325) 4379-3191  
E-mail: [info@eib.org](mailto:info@eib.org)  
Website: <http://www.eib.org/>

**Multilateral Investment Guarantee Agency**

World Bank Group  
1818 H Street, N.W.  
Washington, D.C. 20433



Phone: (202) 473 1000 Fax: (202) 522-2630  
Website: <http://www.miga.org/>

Delegation of the European Commission to Bulgaria  
Mr. Dimitris Kourkoulas, Head of Delegation  
9 Moskovska Str.  
Sofia 1000  
Phone: (359)(2) 933-5252 Fax: (359)(2) 933-5233  
E-mail: [guest@evropa.bg](mailto:guest@evropa.bg)  
Website: <http://www.evropa.bg/>

World Bank  
Ms. Ana Georgieva, Country Manager, i.e  
Ms. Boriana Gotcheva, Country Manager, i.e.  
36, Dragan Tsankov Street  
World Trade Center, block A, 5th Fl.  
1057 Sofia  
Phone: (359)(2) 969-7239 Fax: (359)(2) 971-2045  
E-mail: [gkourtev@worldbank.org](mailto:gkourtev@worldbank.org)  
Website: <http://www.worldbank.bg/>

### Bulgarian Banks

Contact information for all Bulgarian banks may be found on the Bulgarian National Bank website <http://www.bnb.bg/>.

### **Market Research**

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

U.S. Department of Agriculture issues market briefs produced by the Foreign Agricultural Service in Sofia. Reports can be obtained from <http://www.fas.usda.gov/>

### **Trade Events**

[Return to top](#)

Bulgarreklama [www.bulgarreklama.com](http://www.bulgarreklama.com), Plovdiv Fair [www.plovdivfair.com](http://www.plovdivfair.com), Viaexpo [www.viaexpo.bg](http://www.viaexpo.bg)- they organize the annual Energy Efficiency Forum in Plovdiv, Expoteam <http://www.expoteam.org/firm.htm>, and the Bulgarian Economic Forum <http://www.biforum.org/>, organize and promote regional and international trade events. The Bulgarian Chamber of Commerce and Industry publishes an annual Calendar of the Fairs and Exhibitions in Bulgaria. The BCCI's website is <http://www.bcci.bg>

2006 Energy Forum (May 7-10, 2005) - organized by the Scientific & Technical Union of the power engineers in Bulgaria. [www.energyforum2005@yahoo.com](http://www.energyforum2005@yahoo.com)

Bulgaria's major tourism forum, "Bulgaria-Dream Area" takes place in Sofia in January. The conference attracts the interest of European and American specialists from the hospitality industry. For further details visit [www.bulgariantourism.com](http://www.bulgariantourism.com)

2005 International Education Fair - organized by Euroschool Holidays at the Hilton Hotel, February, 2006. The main participants are different education providers, colleges & universities from Europe, Canada and US. For further details visit <http://www.integral.bg/>

The U.S. Department of Agriculture, Foreign Agricultural Service list of upcoming trade events can be found at [www.fas.usda.gov](http://www.fas.usda.gov)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

[Return to table of contents](#)

## Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.export.gov/exportassuranceservices.html>

For specific services offered from Commercial Service Office in Bulgaria you may visit the link below

<http://www.buyusa.gov/bulgaria>

[Return to table of contents](#)

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.